

Feedback form

Consultation paper: Proposed guidance and expectations for Keeping proper accounting records

Please submit this feedback form electronically in both PDF and MS Word formats and email it to us at consultation@fma.govt.nz with 'Proposed guidance and expectations: Keeping proper accounting records: [your organisation's name]' in the subject line. Thank you. **Submissions close on 31 October 2022 at 5pm.**

Date: **31 October 2022**

Number of pages: **2**

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Company or entity: **CPA Australia / Chartered Accountants Australia and New Zealand (CA ANZ)**

Organisation type: **Professional Accounting Bodies**

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Question number	Response
1	<p><i>Do you agree and think there is clarity with the 10 key principles and considerations for keeping proper accounting records that have been identified in the guidance? If not, please outline your reasons.</i></p> <p>Overall, we agree. However, we also urge that Principle 9 'Protection and safeguards' and Principle 10 'Controls over the accounting records' be considered as higher priorities and be repositioned accordingly. We regard these principles as critical to the integrity of the accounting records.</p> <p>We also suggest that the guidance acknowledges that, in addition to compliance with the <i>Financial Markets Conduct Act 2013</i> (FMC Act) and other legislative requirements, the objectives of keeping proper accounting records are to apply good corporate governance principles and to facilitate effective management of an entity's finances and operations.</p>
2	<p><i>Are there other principles or areas that you consider should be included? If so, please provide details, along with why and how this would help to support the legislative requirement to keep proper accounting records.</i></p> <p>We recommend the guidance also clarifies that the entity's accounting records should include sufficient information to assess its going concern. This is critical as it enables the entity's accounting records to support the financial statements' basis of preparation.</p> <p>This clarification will also assist a reporting entity in demonstrating that it has assessed and satisfied the solvency test as required by the <i>Companies Act 1993</i>, specifically section 108, as part of its proper record keeping responsibility.</p>
3	<p><i>Do you agree with the content relating to supporting documentation for the areas of significant estimates and judgements? Do you agree with the examples included? Do you consider any additional examples are required? If so, please provide details.</i></p> <p>Yes, we believe this section, including specific examples, will assist preparers of financial statements consider areas of significant judgements and critical accounting estimates.</p>
4	<p><i>Have you identified any situations not referenced in this guidance where you have found it difficult to evidence your approach? If so, please provide details.</i></p> <p>We understand that materiality judgements are not always sufficiently documented by preparers of financial statements to the extent required. Therefore, we recommend the guidance also include:</p> <ul style="list-style-type: none">• How to exercise judgement when assessing materiality, including factors the entity should consider when making materiality judgements.• Materiality judgements on the application of accounting policies (for example, the effects on recognition, measurement, presentation, and disclosure).

	<ul style="list-style-type: none"> • How to make materiality judgements in specific circumstances, namely, how to make materiality judgements about prior-period information, errors, and in the context of interim reporting. • Qualitative factors to be considered when arriving at quantitative materiality thresholds. • Transaction level materiality levels and financial statement level materiality. • Assumptions made in relation to determining the information needs of external stakeholders. • Dealing with publicly available information about the entity. <p>Given the External Reporting Board (XRB) has publications on this topic, we suggest specifically referencing to IFRS Practice Statement 2 Making Materiality Judgements on the XRB's website.</p>
5	<p><i>Do you think this guidance will help reporting entities understand their ongoing obligations? Please provide reasons for your answer.</i></p> <p>The obligations relating to keeping accounting records are likely already familiar to many preparers. In our view the guidance should assist preparers understand their obligations and how to approach more complex estimates and requirements. The types and nature of discussions, including examples, are particularly useful to clarify expectations.</p>
6	<p><i>Do you think there will be any unnecessary compliance costs associated with the proposed guidance and expectations for keeping proper accounting records? If so, please provide details.</i></p> <p>We do not believe the proposed guidance introduces new practices or additional requirements. Rather the proposed guidance adds structure and clarity to the existing requirements. We do not consider any reasonable incremental expense as 'unnecessary compliance costs' because the maintenance of proper accounting records is fundamental to high quality financial reporting.</p>
7	<p><i>Are there any additional matters that you think the guidance should address? If so, please provide details.</i></p> <p>We recommend including the following additional material within the guidance to support Principle 1 'Sufficient, supportable and reliable':</p> <ul style="list-style-type: none"> • Reviewing accounting records in a holistic manner to not only assess the accuracy and completeness of the accounting records but also to ensure alignment with other non-financial information that may form part of corporate disclosures to the market or to regulators. • Aligning the terminology used in Principle 1 with that used in the auditing standards. For example, ISA (NZ) 500 <i>Audit Evidence</i> refers to two key attributes of audit evidence, sufficiency (quantity) and appropriateness (quality). The attribute 'appropriateness' is about keeping information that is <i>relevant</i>. • When relying on external experts, considering the currency of any reports in light of economic conditions that may have changed significantly from the report's date of issue.
<p>Feedback summary – if you wish to highlight anything in particular</p>	
<p>Please note: Feedback received is subject to the Official Information Act 1982. We may make submissions available on our website, compile a summary of submissions, or draw attention to individual submissions in internal or external reports. If you want us to withhold any commercially sensitive or proprietary information in your submission, please clearly state this and note the specific section. We will consider your request in line with our obligations under the Official Information Act.</p>	
<p>Thank you for your feedback – we appreciate your time and input.</p>	