

2021

Te pūrongo a tau

Annual Report

FOR THE YEAR ENDED 30 JUNE 2021

Presented to the House of Representatives in
accordance with Section 150(1) of the Crown
Entities Act 2004



Contents



Chair's report	4
Chief Executive's report	5
Our strategy	6
How we work	7
2020/21 – Key highlights	8
Governance	10
Ownership Performance	12
– Organisational capability	13
– Other matters	14
– Other information required by Crown Entities Act	16
Statement of Performance	17
– Funding of services	18
– Outcome performance statement	19
– Outputs performance statement	20
Standards gazetted	31
– Accounting	31
– Assurance	33
Submissions	34
– Domestic	34
– International	35
Statement of Responsibility	36
Financial Statements	37
Notes to the Financial Statements	44
Independent Auditors Report	56
Glossary	61

He kupu nā te toihau

Chair's report



This year, as we celebrate 10 years of the External Reporting Board (XRB) existence, I'm proud to highlight our continued and enduring focus on ensuring frameworks and standards respond promptly to local and international external reporting developments. But it's a fast-changing world. The range of stakeholders whom reporting standards impact is broadening. Information users are increasingly demanding richer information (beyond financial reporting), and the disruptive short and long-term impacts of COVID-19 and climate change cannot be ignored. These challenges, in and of themselves, heighten the need to ensure decision making is reinforced by information that supports resilience and long-term sustainability, and that the interests of future generations are safeguarded.

The XRB has responded well to these challenges to meet the demands of the future. We are a small (but growing) organisation with an important remit, and we have advantages we can leverage, such as the ability to be agile and adapt to events at pace.

The way in which we have immediately responded to the Government's announcement to introduce mandatory climate risk reporting is a good example of our agility and ability to pivot. We have successfully developed good relationships with regulators, policy makers, and the wider business and not-for-profit communities. Likewise, even though New Zealand is a small country, the XRB has developed a strong standing and voice internationally and despite the current travel limitations, we have maintained our credibility and influence.

Our enduring focus on our international standing will be critical in the coming years. All eyes will be on New Zealand and the XRB as we work to develop and implement Climate-related disclosures.

The expanded mandate, which will formalise our role in undertaking the climate disclosures and wider integrated reporting work, is yet to be finalised at this point in time. However, we have made a good start. We immediately recognised (and have acted upon) the fact that rising to the challenge an extended mandate brings, will require skills beyond accounting and audit expertise. We will also need to work differently and develop stronger and deeper relationships with a broader group of stakeholders.

We are also committed to partnering with Māori in accordance with the principles of Te Tiriti to inform our work. An important aspect of this will be the development of a te ao Māori framework.

We must continue to be strategic, look beyond our immediate horizons, and challenge ourselves to ask, 'what if?' Late in 2020, the XRB Board and Management Team did just that. The fruits of our labour are illustrated in our refreshed strategy (shown over the page). I'm excited by a strategy that allows us to build on our considerable strengths but equally harness the opportunities that are inherent to new challenges – I hope you are too. We look forward to continuing to create long-term value for Aotearoa New Zealand.

Ngā mihi

Michele Embling

Chair
External Reporting Board

He kupu nā te tumuaki

Chief Executive's report



Over the last year, we have witnessed first-hand the resilience of New Zealand organisations and individuals as together we re-build the nation's economy. The XRB's role, in delivering high-quality standards that contribute to growing trust and confidence in the financial reporting of corporate business, public sector, and not-for-profit entities, plays a critical part in the sustainable growth of New Zealand's economy and the wellbeing of New Zealanders.

Late In 2020, Cabinet signalled an expansion to the XRB's mandate and provided interim funding to begin work developing reporting standards for Climate-related disclosures (CrD) and for integrated reporting across natural, human, social and financial capitals. In response and readiness, we have undertaken work to assess the degree to which we are fit-for-purpose for today, and what changes would be required should our mandate be formally extended. I'm pleased to say, the results of an Efficiency and Effectiveness Review have confirmed our ability to achieve a great deal with limited resource. The review found that the XRB 'punches above its weight', is effective at meeting the financial reporting needs of a diverse range of users, and that we have grown excellent relationships with stakeholders, both local and international.

The review has also highlighted that new capabilities and additional capacity would be needed for us to be successful in our evolving role. A successful budget bid has secured funding to close this resourcing gap,

and our extended mandate has been reaffirmed in our Minister's Letter of Expectation. An extended mandate presents us with an opportunity to re-look at how we deliver our work. In particular, we must commit to a greater outcomes-focus, act more as a standard maker, improve our accessibility, reimagine how we do guidance and awareness raising, and grow our voice and brand visibility to become a stronger system leader.

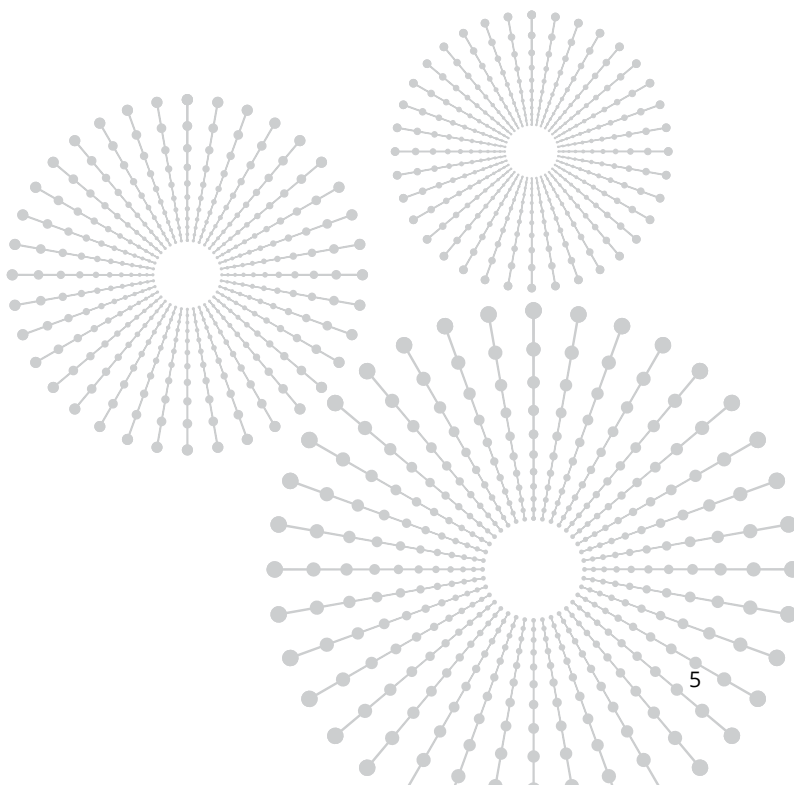
Within the 2020/21 financial year, we have made a start on meeting these opportunities. The Interim funding to commence work on Climate-related disclosures has enabled additional capacity and capability in the areas of climate policy, non-financial reporting, and engagement to support us to change our orientation and approach.

This is just the beginning, and we are excited and motivated to embrace new ways of working to meet the challenges and opportunities ahead. We look forward to bringing you along on the journey.

Ngā mihi

April Mackenzie

Chief Executive

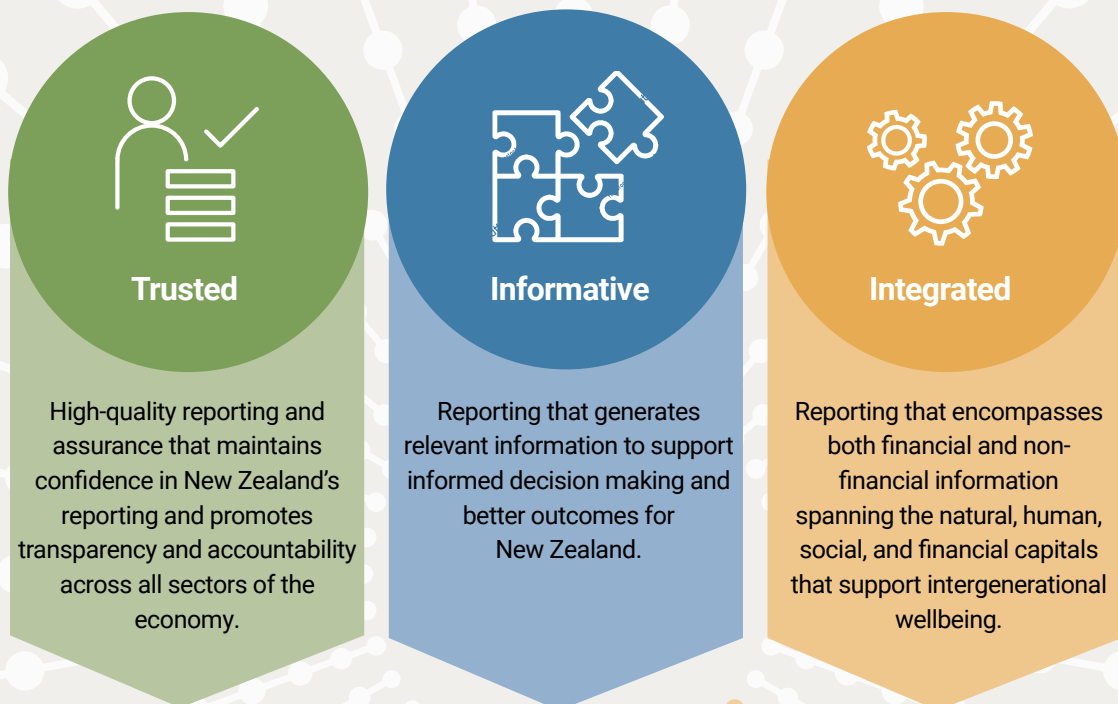


Our strategy

Our Vision

New Zealand prospers through effective decision making informed by high-quality, trusted, and integrated reporting.

Outcomes



Strategic Focus Areas



Key Outputs

Reporting Strategy

- Climate-related disclosures Strategy
- Integrated Reporting
- Accounting
- Audit & Assurance

Frameworks & Standards:

- Accounting
- Audit & Assurance
- Ethics
- Climate-related disclosures

International Liaison

- Submissions
- Membership of Boards

Pēhea te āhua o tā mātou mahi

How we work

Our starting point for the development of standards is the adoption of international standards.

This enables international alignment, which is particularly important for entities operating in the international capital markets where being able to assert compliance with international reporting standards is critical for fund raising. This approach also reduces domestic standard-setting costs.

The main international standard setting bodies we liaise with are:

- » The International Accounting Standards Board (IASB): International Financial Reporting Standards (IFRS)
- » The International Public Sector Accounting Standards Board (IPSASB): International Public Sector Accounting Standards (IPSAS)
- » The International Auditing and Assurance Standards Board (IAASB): International Standards on Auditing (ISA)
- » The International Ethical Standards Board for Accountants (IESBA): International Code of Ethics.

We have also recently commenced relationship building with international organisations in the field of Climate-related disclosures and integrated reporting.

In addition to developing New Zealand specific standards (such as Service Performance Reporting), we also explore the option of 'New Zealand-izing' international-based standards, where appropriate. This is a critical aspect of ensuring preparers and users have trust and confidence in the information provided, as well as providing a platform to understand whether standards are generating the information users need and what practical issues are being encountered with the implementation of standards in New Zealand.

Consultation with stakeholders before issuing any standards is a statutory obligation and an essential part of the standard-setting process. We organise many seminars and webinars as well as publish articles and newsletters on a wide range of matters. The XRB Board also engages with key stakeholder groups about broader financial reporting system matters.

Engagement helps us to:

- » Understand where in New Zealand the proposed standard is likely to be needed and whether the proposed standard meets those needs
- » Establish the pros and cons of adopting the standard in New Zealand
- » Explore any unintended consequences or risks arising from adopting the standard or potential drawbacks of not adopting it
- » Assess whether the criteria for application of the standard is appropriate for New Zealand entities.

Key highlights



Shedding sunlight on financial stability – Going Concern Disclosures

In August 2020 we introduced new Going Concern Disclosures requiring businesses, not-for-profits, and public sector entities to provide specific information about material uncertainties and/or significant assumptions considered when assessing going concern position in their annual accounts. The new financial reporting standard was pushed through at pace, in response to the increased uncertainty and disruption for reporting entities caused by the ongoing impact of COVID-19.

The specific going concern disclosure requirements were introduced to support the provision of transparent, informative and consistent information about an organisation's ability to continue operating for the foreseeable future. This information is critical for maintaining trust and confidence in the financial statements prepared across a range of sectors, as many investment and resourcing decisions are based on the assumption that an organisation expects to continue operating for the foreseeable future.

The specific disclosures were also introduced to remove a tension in practice between the going concern disclosures expected by auditors and the disclosure requirements in the accounting standards. The new requirements are now closely aligned with auditor expectations, which will help all parties focus on the information that will best meet user needs.



Increasing international alignment & influence

Foreign investment is crucial for the sustainable growth of the economy. Annually, overseas investment into New Zealand firms totals around \$400 billion. To protect the flow of this investment, companies must be able to assert compliance with international standards. Our adoption of international standards is critical to supporting firms to be competitive and comparable on the global stage.

The ability to influence the shape and direction of standards when they are at the early development stage internationally, is significant. Maintaining robust international connections and ensuring New Zealand is influential on the global standard-setting stage is an enduring priority. Relative to our size, we punch well above our weight in this area, with a credible reputation for being even handed in our approach.

As well as providing submissions on a range of international standard-setting issues, we have directly influenced the International Auditing and Assurance Standards Board's (IAASB) development of Extended External Reporting (EER) Guidance. The IAASB's EER Task Force aimed to enable more consistent application of International Standard on Assurance Engagements (ISAE) 3000, through the development of non-authoritative guidance to explain how to apply ISAE 3000 to EER Assurance. New Zealand's involvement made a significant contribution to this work. The Task Force was chaired by Lyn Provost – the New Zealand IAASB member, supported by the XRB Director of Audit and Assurance Standards. An XRB technical board member was also involved in the project advisory panel, and XRB staff were seconded to assist with final drafting of the guidance.

Being one of the first countries to introduce explicit Going Concern disclosures has resulted in other jurisdictions now looking to our work to guide their adoption. XRB presentations at major international meetings, has prompted the International Accounting Standards Board to issue educational material and actively consider Going Concern as a potential project.



Responding to the evolving reporting landscape

In September 2020, the Government announced its intention to implement mandatory reporting on climate risks and tasked the XRB with developing reporting standards to support the new reporting regime.

We assessed that undertaking this work would require additional capability and capacity and set about establishing what skills and expertise would be needed. We also recognised that the work would involve us engaging with a broader set of stakeholders.

Late in 2020, as well as appointing an Interim Project Director to begin scoping the broader work programme, we sourced secondees with relevant sustainability and climate expertise and appointed a Communications specialist to begin work on developing a Communication and Engagement strategy to support the delivery of the project. We established an internal Project Steering Group to provide strategic direction and oversight, chaired by an XRB Board member. An External Advisory Panel has also been established to act as a consultation group on technical climate and sustainability issues.

External engagement is a critical aspect supporting the development of the standards. Our overarching and enduring communication objective has been focused on supporting the development and delivery of CrD standards that are well received (in New Zealand and internationally) and ensuring that the rationale (and benefits) for the introduction of mandatory reporting is clearly articulated and understood. Between September 2020 and June 2021, we have been involved in over 90 external presentations, workshops and meetings.

This foundational work has paid dividends and has successfully established the XRB's role and presence in relation to CrD with relevant stakeholders.



Enabling transparency & accountability of not-for-profits

The not-for-profit sector makes an important contribution to the well-being of New Zealanders and while this extends beyond monetary value, the contribution this sector makes to New Zealand's GDP exceeds \$8 billion dollars each year.

The development of robust frameworks and provision of reporting standards is fundamental to ensuring that transparency, accountability and trust in this sector are maintained. Of equal importance is that the reporting requirements we set do not place an undue administrative burden on the sector. Reducing the administrative burden releases time and resources, which can otherwise be put towards an improved social return on investment for New Zealand communities.

Achieving a balance between cost and benefit is an ongoing focus for the XRB. Establishing appropriate accounting and assurance requirements based on the size and complexity of the organisation is central to how we achieve this balance, and our multi-tiered framework for financial reporting is integral to this.

This year, we reviewed the reporting standards for smaller (Tier 3 & 4) not-for-profits. We undertook extensive engagement and consultation with the sector to assess where improvements could be made, not just in terms of simplification and ease of reporting, but also in terms of the usefulness of the information provided.

Overall, the feedback was positive, but also highlighted areas where improvements are needed. We are already taking actions based on the feedback received, including:

- Creating a simpler/shorter 2-page template for Tier 4 entities.
- Developing proposed changes to the Tier 3 and Tier 4 Standards and accompanying templates/guidance material.
- Developing additional guidance materials (such as FAQs) to help Tier 3 and 4 entities comply with the standards.

Mana whakahaere

Governance

Our Board provides strategic oversight and includes up to 9 members who are appointed by the Governor-General on the recommendation of the Minister of Commerce and Consumer Affairs. Our two technical advisory boards – the Accounting Standards and Audit & Assurance Standards Boards provide technical expertise and advise on the development and implementation of our reporting and assurance standards. The Advisory Panel (XRAP) provides a forum where the XRB and its sub-boards can consult with individuals and representatives of organisations affected by their work. The XRAP is a key part of the XRB's strategy to enhance meaningful engagement with the sector.

“ The Advisory Panel (XRAP) provides a forum where the XRB and its sub-boards can consult with individuals and representatives of organisations affected by their work.

XRB Board



*Michele Embling
(Chair)*



*Jane Taylor
(Deputy Chair)*



Julia Fink



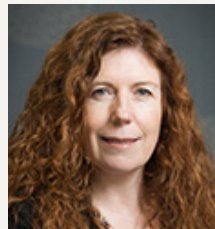
John Kensington



Michael Bradbury



Bill Edge



*Jacqueline
Robertson-Cheyne*



Fergus Welsh

Technical Advisory Boards

Auditing & Assurance Standards

Robert Buchanan (Chair)
 John Kensington (Deputy Chair)
 Robert Cox
 Clyde D'Souza
 David Hay
 Ian Marshall
 Marje Russ
 Karen Shires
 Roger Simnett
 Bill Edge

Accounting Standards

Carolyn Cordery (Chair)
 Angela Ryan (Deputy Chair)
 Michael Bradbury (Acting Chair – July 2020 to February 2021)
 Nives Botica-Redmayne
 Francis Caetano
 Karl Hickey
 Keith Kendall
 Denise Hodgkins
 Richard Smyth
 Jason Stinchcombe

External Advisory Panel (XRAP)

Craig Fisher (Chair)
 Darren Beattie
 Katie Beith
 Simon Brotherton
 Felicity Caird
 Carol Campbell
 Peter Gudsell
 Joe Hanita
 Paul Helm
 Julia Hoare
 Garth Ireland
 Rick Jones
 Jim McElwain
 Richard Perry
 John Ryan
 Sheree Ryan
 Joost van Amelsfort
 Peter van Hout
 Tony van Zijl
 Peter Vial
 Aaron Wallace

Thank you to following members who have retired from service.

XRB

Kimberley Crook (August 2020)

Accounting Standards Board

Karl Hickey

Auditing and Assurance Standards Board

Karen Shires
 Roger Simnett

XRAP

Paul Helm
 Julia Hoare
 Garth Ireland
 Richard Perry
 Matthew Underwood
 Peter van Hout
 Aaron Wallace
 Mark Vivian

He rawa mō ngā mahi kia tutuki

Ownership performance

Scope of business

The XRB's planned scope of business for the year was:

Financial reporting and audit & assurance standard setting, and associated strategy setting functions.

The XRB's actual scope of business fell within the planned scope of business at all times during the year.

Financial performance

Financial statements for the year ended 30 June 2021 are provided in the Financial Statements of this Annual Report. A summary of the XRB's actual financial performance, compared to budgeted performance for the year, is provided in the table below.

Operating

An operating surplus was generated during the financial year. One of the main reasons for the significant difference between actual and budgeted amounts was due to the XRB securing additional operational funding of \$1.1 million during the year to commence the work on Climate-related Disclosures. Note 18 to the financial statements provides more detail in respect of the major variations in specific expense items.

Capital expenditure

Our capital expenditure for the year to 30 June 2021 is a total of \$40,000. This is primarily due to the need to replace ageing laptops and to provide laptops and peripherals for new staff members / contractors.

	2020/21 Actual (\$'000)	2020/21 Budget (\$'000)
Financial Measure		
Revenue – Government appropriation	4,410	4,410
Out of budget cycle revenue – Climate-related Disclosures	1,100	-
Interest – Other	8	30
Expenses	4,328	5,271
Operating Surplus / (Deficit)	1,190	(831)
Equity	3,217	726
Net Cash Flows from Operating Activities	1,583	(735)
Net Increase / (Decrease) in Cash	1,532	(240)

Acquisitions

The XRB did not acquire shares or interests in companies, trusts, partnerships or joint ventures during the period.

Te pūkenga tara ā-whare

Organisational capability

The key capability initiatives planned for, and achieved, during the year are outlined in the table below.

2020/21 Achieved	2020/21 Planned
The XRB has needed to hire several contractors and secondees during the year to enable us to meet our output requirements, particularly in the Climate-related Disclosures workstream. This is due mainly to uncertainty in relation to an increase in funding and extension to our mandate, and the need for niche skills on the field of climate.	Retaining a near full complement of suitably qualified staff
The Wellington office is operating at full operational capacity. The Auckland office was closed in December 2020 and staff are now located in a serviced office arrangement.	Maintaining full operational capability in the Wellington and Auckland offices

Management of organisational risks

The XRB's key risk management initiatives planned for the year, together with the actions taken in the year, are outlined in the following table.

	2020/21 Achieved	2020/21 Planned
Risk		
Loss of property and equipment	Insurance cover acquired	Insurance of property, plant and equipment
Loss of key staff	Cross training undertaken	Cross training
Loss of key data and records	Offsite cloud server backup in place	Offsite cloud server backup in place

Ētahi atu take

Other matters

Employer information

Workforce profile

	2020/21	2019/20
Workforce component		
Employees	19	16
Part-time	3	6
Casual	1	-
Women	74%	75%
Women in Management Team	75%	75%
Non-Pākehā Ethnicity	5%	6%
Māori	0%	0%
Pacific	0%	0%
Employees with Disabilities	0%	0%

	2020/21	2019/20
Workforce Age Profile		
Under 30 years of age	1	1
30-39 years of age	3	2
40-49 years of age	6	5
50-59 years of age	6	5
≥60 years of age	3	3

There was one resignation and one retirement during the year.

Good employer information

The XRB is an Equal Opportunity Employer and supports and endorses the principles underlying equal opportunity and good employer legislation. We value our employees who we see as our key resource. We strive to provide a caring, inclusive and parent friendly environment which provides equal opportunities for all.

With respect to the seven key elements of being a good and equal opportunity employer, the XRB reports as follows:

Leadership, accountability & culture

The XRB has deliberately established a culture which embraces the “one team” concept. We value hard work, working together as “one team” and celebrating our successes. Accordingly, all members of the organisation are involved in the establishment of work programmes and priorities, the sharing of team achievements, and shaping the organisations future.

Recruitment, selection & induction

Wherever possible, we operate open and public recruitment processes. Candidates of varying skills and backgrounds are encouraged to apply. We appoint staff solely based on qualifications, experience, relevant skills, and ability to operate within the “one team” organisational culture. Age, ethnicity, gender or physical disabilities are not a factor in our recruitment processes.

Flexibility & work design

We operate in three major geographical areas (Wellington, Auckland, and Christchurch) which ensures we can recruit and retain the best possible staff regardless of location. We are output, rather than input focused and operate a policy of flexible working designed to accommodate the needs of staff.

Employee development, promotion & exit

To support development of all staff, a high degree of interaction between the senior leadership and staff is maintained. This is augmented through the provision of technical training and personal development for all staff.

A formal process of establishing annual performance agreements and undertaking annual performance reviews (as well as informal performance discussions during the year) is operated. This forms the basis for ongoing dialogue between managers and staff and, is also used as the basis for addressing good and poor performance, as well as informing remuneration reviews.

Remuneration, recognition & conditions

Staff salaries are reviewed by the Chief Executive on an annual basis. The review considers individual performance, market conditions, and any advice from the State Services Commission relating to remuneration setting. External providers are used as needed to provide job sizing and market data to ensure that remuneration is market related.

The XRB's gender pay gap has improved to negative 37% (2020: negative 28%). The gender pay gap is calculated by the median hourly rate method as recommended by Statistics New Zealand. The gender pay gap for the staff involved in standard setting (the main professional group in the XRB) is negative 12.81% (2020: negative 12.88%). The gap reflects the differing seniority (and therefore salaries) of various positions in the organisation.

Harassment & bullying prevention

The XRB has zero tolerance for any form of bullying or harassment and is not aware of any instances of bullying and harassment during the financial year. Policies and procedures covering harassment and bullying are in place.

Safe & healthy environment

We promote a positive and flexible work environment that celebrates events in people's lives and encourages healthy interaction between staff members. Although our flexible work arrangements mean staff are set up and used to working from home, we have reviewed and updated our working from home policy in response to Covid-19.

We are committed to ensuring that staff are kept safe by having trained first aiders and fire wardens. Our office has a civil defence emergency kit, and all staff are encouraged to be prepared in the event of a natural disaster. Workplace assessments and modern desk equipment are provided to ensure employees' comfort at their desks. All staff are encouraged to take their annual leave in the period they earn it. Staff are also able to access a confidential Employee Assistance Program when needed.

Ētahi atu pārongo i runga i ngā whakahau a te ture hinonga karauna 2004

Other information required by the Crown Entities Act

In relation to the requirements of section 151 of the Crown Entities Act 2004, the following information is provided:

- In April 2014, the XRB was given a direction by the Minister of State Services and Minister of Finance pursuant to section 107 of the Crown Entities Act 2004 to apply the Government Rules of Sourcing with effect from 1 February 2015.
- The XRB did not undertake any transactions that were in breach of statute but validated in accordance with section 20 of the Crown Entities Act 2004.
- The XRB did not grant permission to any board member to act despite being interested in a matter in accordance with section 68 of the Crown Entities Act 2004.

Te tauaki mō ngā mahi kia tutuki

Statement of Performance

FOR THE YEAR ENDED 30 JUNE 2021

The following section reports on the services we were funded to deliver in the year ended 30 June 2021, how we delivered those, and the impact these had on our outcomes.

Te tauaki mō ngā mahi kia tutuki

Statement of Performance

Funding of services

The XRB is funded by a gross appropriation under Vote: Business, Science and Innovation administered by Ministry of Business Innovation and Employment (MBIE). The single overarching purpose of this appropriation is to support high-quality financial

reporting through the activities of the XRB.

This appropriation is limited to the funding of one reportable class of outputs. The description of this output class is: financial reporting and audit & assurance standard setting and associated strategy setting functions.

Output Class	2020/21 Actual \$'000	2020/21 Budget \$'000	2019/20 \$'000
Description			
Financial reporting and audit & assurance standard setting and associated strategy setting functions	All activities undertaken during the year were within this description	All activities undertaken during the year were within this description	All activities undertaken during the year were within this description
Revenue from the Crown (\$'000)	5,510	4,410	4,410
Revenue from others (\$'000)	8	30	37
Expenses (\$'000)	4,328	5,271	4,599
Operating Surplus / (Deficit)	1,190	(831)	(152)

The following sections set out, for this appropriated output class, and individual outputs that make up the class:

- » The scope of what is intended to be achieved;
- » An assessment and explanation of performance; and
- » Financial performance

Overall Performance Statement

This output class is intended to deliver development and issuance of financial reporting and audit & assurance standards and associated documents that align with international standards and are harmonised with Australian standards (where applicable) and relevant in a New Zealand context.

Outcome Performance Statement

Our outcomes are focused on establishment of financial reporting and audit & assurance standards that are:

- » **Trusted** – High-quality reporting and assurance that maintains confidence in New Zealand's reporting and promotes transparency and accountability across all sectors of the economy.
- » **Informative** – Reporting that generates relevant information to support informed decision making and better outcomes for New Zealand.
- » **Integrated** – Reporting that encompasses both financial and non-financial information spanning the natural, human, social, and financial capitals that support intergenerational wellbeing.

Measuring delivery towards our outcomes

Our outcomes are impacted by a range of external factors, including social, economic and financial conditions, as well the activities of international bodies such as the IASB, the IPSASB and the IAASB. For those reasons, it can be challenging to identify changes that can be directly attributed to our work and it is difficult to capture this diversity of work and effort in fixed quantitative targets. For this reason, the XRB takes an evaluative-based approach to measuring our performance towards our outcome goals.

Delivery towards our outcomes through our key Outputs for the 2020/21 financial year are detailed in the following section.

Outputs-Performance Statement

The XRB has three specific outputs that make up its Output Class:

1. Review the Strategy for issue of standards (Reporting Strategy)
2. Preparing and issuing Financial Reporting Standards; and
3. Preparing and issuing Auditing & Assurance Standards and other related services standards

OUTPUT 1:

Reporting strategy

	2020/21 Actual \$'000	2020/21 Budget \$'000	2019/20 Actual \$'000
Revenue from the Crown	529	529	529
Out of budget cycle revenue from the Crown- Climate-related Disclosures	1,100	-	-
Interest and Other Income	-	4	4
Actual expenses	224	537	166
Actual expenses – Climate-related Disclosures	538		
Attributed Overhead costs and other revenue	124	73	145
Quality			
Standards frameworks monitoring ensures consistency with international convergence and Australian harmonisation strategy, and approved Tier Strategy	100% consistent	100% consistent	100% consistent
Amendments to Tier Strategy consistent with statutory requirements and consistent with the Government's trans-Tasman outcome goals (degree of consistency determined by the XRB Board)	No amendments were submitted to the Minister for approval	No amendments were submitted to the Minister for approval	No amendments were submitted to the Minister for approval

Explanation of major variances to budget are provided in note 18 of the Financial Statements

Approach

Maintain the existing financial reporting strategy including the two-sector, multi-standards, multi-tier Accounting Standards Framework. Enhance constituency engagement and support. Continue the international convergence and harmonisation approach (where applicable) for both financial reporting and auditing & assurance standards.

Performance measure	Forecast 2020/21	Actual 2020/21
<p>Review the Strategy for issue of standards within the financial year via consultation by soliciting, analysing and assessing for strategic implications comments on New Zealand financial reporting and auditing relating to transparency, understandability and meeting user needs.</p> <p>Feedback should be sought from users, regulatory bodies, preparers, auditors, XRAP.</p> <p>Mechanisms for receiving such feedback include environmental scans, monitoring of media, research and forums.</p>	<p>Strategy reviewed within the financial year. Receive positive feedback on Strategy from stakeholders and other regulators.</p>	<p>Regular meetings and forums have occurred throughout the year with key stakeholders and regulators including: the FMA, RBNZ, OAG, MBIE, the Treasury and MfE. These strategic engagements have focused on a broad range of reporting issues including;</p> <ul style="list-style-type: none"> • Development of climate reporting legislation • Non-financial/wellbeing reporting • Ongoing impacts of COVID-19 on reporting • Future of audit & audit quality <p>In addition to these engagements, regular feedback on the usability and understandability of our standards is conducted via our External Advisory Panel (XRAP).</p> <p>Climate Reporting</p> <p>Following the Government's announcement in September 2020 that New Zealand would introduce mandatory climate-related financial disclosures, the XRB focused on building capacity and capability to deliver on this work which we as a significant development in terms the overall financial reporting strategy. On that basis, it has been a major focus area for the XRB. As well as being involved in the development of the legislation, for example by providing responses to information requests from relevant departments, the XRB also made a formal submission on the Bill in May 2021.</p>

Approach continued

Performance measure	Forecast 2020/21	Actual 2020/21
		<p>Research was undertaken into the recommendations made by the Task Force on Climate-related Financial Disclosures, in order to ensure NZ's disclosures can align.</p> <p>Given the range of entities mandatory disclosures will apply to, the development of a communication and engagement strategy and plan has been a priority. Between September 2020 and June 2021, over 90 external presentations, workshops or meetings were held. An overall project structure and project plan was developed, along with supporting design principles for the development of the standards.</p> <p>A project steering group (which is a sub-group of the XRB Board) was established to oversee the project, as well as an External Advisory Panel to provide advice on the development of the standards. These groups meet monthly.</p> <p>Work on the development of the governance and risk management sections of the standards was also commenced, and these were issued for public comment in October 2021.</p>

OUTPUT 2:**Preparing and issuing Financial Reporting Standards**

	2020/21 Actual \$'000	2020/21 Budget \$'000	2019/20 Actual \$'000
Revenue from the Crown	2,470	2,470	2,470
Interest and Other Income	-	16	21
Actual expenses	1,623	2,594	2,142
Attributed Overhead costs and other revenue	579	337	678
Quality			
Due process documents and standards reflect approved Tier Strategy (degree of compliance determined by NZASB)	100% compliance	100% compliance	100% compliance
Statutory due process requirements followed	100% compliance	100% compliance	100% compliance
Standards reflect relevant international standards with departures only to improve quality (quality improvement determined by NZASB)	100% compliance	100% compliance	100% compliance
For-profit standards harmonised with Australia where appropriate	100% compliance	100% compliance	100% compliance
Timeliness			
Due process documents and standards relating to the financial reporting standards framework issued in accordance with timeline established by the Board (usually not less than 90 days)	100% compliance	100% compliance	100% compliance
Due process documents and standards relating to existing financial reporting standards suites issued in time for the commencement date to be no later than the international commencement date (where relevant)	100% compliance	100% compliance	100% compliance

Explanation of major variances to budget are provided in note 18 of the Financial Statements

Approach

Maintain and enhance existing financial reporting standards

Performance measure	Forecast 2020/21	Actual 2020/21
XRB submissions on relevant consultation documents as required and in compliance with specific response dates.	10	6 international submissions (3 each to IASB and IPSASB) and a further 3 domestic submissions (to DIA Policy regarding the Charities Act Review and MBIE regarding the Incorporated Societies Bill proposals)
Number of XRB Standards issued	10	12
Number of XRB Exposure Drafts published for comment	14	15
Number of New Zealand specific standards developed and/or issued.	6	3 New Zealand-specific amending standards issued during the period. Refer page 31 below for detailed list of standards and amending standards issued during the period.
Standards reflect relevant international standards with departures only to improve quality for the New Zealand environment.	100% compliance.	100% compliance.
For-profit accounting standards harmonised with Australia (where appropriate).	100% compliance.	100% compliance.
Number of webinars, roundtables, podcasts, presentations, articles, blogs, thought leadership seminars/lectures held.	<p>Number of webinars, roundtables, podcasts, articles, presentations, blogs, thought leadership seminars/lectures (including the Tony Dale Memorial lecture) organised as required.</p> <p>Accounting: 35</p> <p>Number of attendees: over 1,000.</p>	<p>Accounting: 28 webinars, roundtables and presentations</p> <p>Number of attendees: Well over 1,000 attendees (assisted by the increasing use of virtual attendance options as a result of COVID-19 travel restrictions).</p>

Approach continued

Performance measure	Forecast 2020/21	Actual 2020/21
Attendance at meetings and working with international boards to influence international standard setting.	Attend all relevant international board meetings; in particular, maintain membership of the IPSASB.	Attended all 4 IPSASB virtual meetings and all 5 IPSASB pre-meeting calls.
	Ongoing membership of the AASB, and having a AASB member on the NZASB	Attended 6 AASB meetings
Participation as members on relevant international boards, regional groupings, working groups and task forces.	Ensure representation on relevant international boards, regional groupings, working groups and task forces.	The NZASB Chair and Director of Accounting Standards attended and participated in the November 2020 meeting of the Asia Oceania Pacific Standard-Setters Group (AOSSG).
Staff secondments to relevant international standard setting bodies.	Staff secondments to relevant international standard setting bodies where appropriate	<p>The NZASB Chair and Director of Accounting Standards attended and participated in the October 2020 and March 2021 meeting of the International Forum of the Accounting Standards Setters (IFASS).</p> <p>The Accounting Team of XRB provided technical support to the New Zealand member on the International Public Sector Accounting Standards Board (IPSASB), including the Director of Accounting Standards holding the position of Technical Advisor to the IPSASB.</p> <p>The Director of Accounting Standards is a member of the Technical Advisory Group (TAG) of the International Financial Reporting for Non-Profit Organisations (IFR4NPO) Group, and attended and participated in various meetings during the year.</p> <p>The Chair of the NZASB is a member of the Practitioner Advisory Group (PAG) of the International Financial Reporting for Non-Profit Organisations (IFR4NPO) Group.</p> <p>No staff were seconded to international standard setting bodies during the period.</p>

Approach continued

Performance measure	Forecast 2020/21	Actual 2020/21
Host international visitors from relevant international organisations.	As appropriate but including: Chair of the IPSASB Deputy Chair IASB	Sue Lloyd, Deputy Chair of the IASB, presented virtually to NZ constituents. Sue was supported by IASB staff members on each project. Projects covered were: <ul style="list-style-type: none"> • Business Combinations, Disclosures, Goodwill and Impairment Discussion Paper (November 2020) • Business Combinations under Common Control Discussion Paper (April 2021) • Third Agenda Consultation (May 2021) • Chair of the IPSASB and the IPSASB's Program and Technical Director virtually attended and presented at the NZASB's February 2021 meeting. • March 2021 the IPSASB's Program and Technical Director virtually co-presented at our webinar 'Accounting for Leases in the Public Sector'
Submissions to international Boards on relevant issues and consultation documents.	NZASB:10	6: 3 submissions were made to IASB and a further 3 to IPSASB (refer page 35 below for further detail).

OUTPUT 3:**Preparing and issuing Audit & Assurance Standards
and other related services standards**

	2020/21 Actual \$'000	2020/21 Budget \$'000	2019/20 Actual \$'000
Revenue from the Crown	1,411	1,411	1,411
Interest and Other Income	-	10	12
Actual expenses	901	1,537	1,081
Attributed Overhead costs and other revenue	332	193	387
Quality			
Statutory due process requirements followed	100% compliance	100% compliance.	100% compliance.
Standards reflect relevant international standards with departures only to improve quality (quality improvement determined by the NZAuASB)	100% compliance	100% compliance.	100% compliance.
Standards harmonised with Australia where appropriate	100% compliance	100% compliance.	100% compliance.
Timeliness			
Due process documents and standards issued in time for the commencement date to be no later than the international commencement date (where relevant)	100% compliance	100% compliance.	100% compliance.

Explanations of major variances to budget are provided in Note 18 to the financial statements.

Approach

Maintain and enhance existing auditing and assurance standards

Performance measure	Forecast 2020/21	Actual 2020/21
Number of international based Professional and Ethical standards developed and/or issued.	3 -5 International based Professional and Ethical standards	2 International based Professional and Ethical standards
Number of international based Auditing and Assurance and related services standards developed and/or issued	2-5 Auditing and Assurance and related services standards	1 international based related services standard 1 international based guidance document for EER assurance engagements
Number of New Zealand specific standards developed and/or issued.	1-3 New Zealand Audit and Assurance Standards	1 New Zealand amendment to reflect a mandate change 1 New Zealand specific conforming amendments standard 1 New Zealand guidance document on use of management expert's work
Number of Exposure Drafts of Auditing and Assurance and related services standards	1-3 Exposure drafts Auditing and Assurance and related services standards	6 New Zealand consultation documents issued 6 international exposure drafts or consultation papers, and 2 international surveys
Number of webinars, roundtables, podcasts, presentations, articles, blogs, thought leadership seminars/lectures held.	Number of webinars, roundtables, podcasts, articles, presentations, blogs, thought leadership seminars/lectures organised as required. Auditing: 25 Number of attendees: over 500	20 webinars, roundtables, COVID Alerts and presentations to over 1000 attendees
Attendance at meetings and working with international boards to influence international standard setting.	Attend all relevant IAASB meetings and participate actively in the National Standards Setters meetings	Attended 4 of 4 virtual IAASB Board meetings (and 7 of 7 IAASB Board Calls). Attended both the IAASB and IESBA NSS virtual meetings in November and May.

Approach continued

Performance measure	Forecast 2020/21	Actual 2020/21
Participation as members on relevant international boards, regional groupings, working groups and task forces.	Ensure representation on relevant international boards, regional groupings, working groups and task forces.	<p>Lyn Provost was Chair of the EER taskforce, the ISA 220 Quality Control for an Audit of Financial Statements task force, the Professional Scepticism working group and is currently the Chair of the Fraud task force.</p> <p>The Director of Audit and Assurance is on the IAASB auditor reporting implementation working group and was on the ISA 540 (Revised) implementation working group.</p> <p>A board member assisted the IAASB's EER Task Force on the Project Advisory Panel, and an XRAP member assisted the IAASB's Less Complex Entity project on the Project Advisory Panel.</p>
Staff secondments to relevant international standard setting bodies.	Staff secondments to relevant international standard setting bodies when appropriate.	A senior staff member was seconded to the IESBA to assist with the Technology Task Force. This staff member is also assisting the IESBA on the eCode and assisted the EER task force to finalise the EER assurance guidance.
Host international visitors from relevant international organisations	As appropriate.	Brian Friedrich – IESBA Board member – updated the NZAuASB via Teams meeting in Sept 2020 (in lieu of restricted travel)
Submissions to international Boards on relevant issues and consultation documents.	NZAuASB: 1 - 3	6 submissions and 2 responses to surveys
Representation on the IAASB task forces and advisory panel	Maintain our representation on the taskforces for EER, Professional Scepticism and Post implementation review of Auditor reporting and the EER advisory panel.	<p>Lyn Provost was Chair of the EER taskforce, the ISA 220 Quality Control for an Audit of Financial Statements task force, the Professional Scepticism working group and is currently the Chair of the Fraud task force.</p> <p>The Director of Audit and Assurance is on the IAASB auditor reporting implementation working group and was on the ISA 540 (Revised) implementation working group.</p> <p>A board member assisted the IAASB's EER Task Force on the Project Advisory Panel, and an XRAP member assisted the IAASB's Less Complex Entity project on the Project Advisory Panel.</p>

Approach continued

Performance measure	Forecast 2020/21	Actual 2020/21
Environmental scans of and response to developments and major disruptions to the international standard-setting structure and environment.	<p>Ongoing regular environmental monitoring reports to the XRB.</p> <p>Respond to developments and disruptions, as appropriate</p>	<p>Ongoing regular monitoring reports to the XRB.</p> <p>The XRB has made several submissions during the year on international developments. Refer to pages 34 and 35 for further details.</p>

Standards Gazetted 2020/21

Accounting standards and amendments to standards gazetted 2020/21

	Date issued	Date issued Description
Amendments to NZ IFRS 17 <i>Insurance Contracts</i>	20 August 2020	Amends NZ IFRS 17 <i>Insurance Contracts</i> to ease implementation of NZ IFRS 17 by reducing implementation costs and making it easier for entities to explain the result of applying NZ IFRS 17 to investors and others.
Amendments to PBE NZ IFRS 17 <i>Insurance Contracts</i>	20 August 2020	Amends PBE NZ IFRS 17 <i>Insurance Contracts</i> to ease implementation of PBE NZ IFRS 17 by reducing implementation costs and making it easier for Tier 1 and Tier 2 public benefit entities to explain the result of applying PBE NZ IFRS 17.
2020 Amendments to PBE FRS 48	20 August 2020	Amends PBE FRS 48 <i>Service Performance Reporting</i> to defer the effective date by one year, from 1 January 2021 to 1 January 2022 and clarifies that explanations of variances are required only when an entity presents comparisons of actual versus prospective information.
Classification of Liabilities as Current or Non-current - Deferral of Effective Date	20 August 2020	Amends the previous 9 April 2020 amendment to NZ IAS 1 <i>Presentation of Financial Statements</i> to defer the amendment's effective date by one year, from 1 January 2022 to 1 January 2023.
Going Concern Disclosures (Amendments to FRS-44)	20 August 2020	Amends FRS-44 <i>New Zealand Additional Disclosures</i> to introduce more specific disclosure requirements about going concern assessments to help preparers of financial statements provide relevant and transparent information to users of those financial statements about the matters considered when making such assessments.

Standards and amendments to standards gazetted 2020/21 continued

	Date issued	Date issued Description
Amendments to PBE NZ IPSAS 1 <i>Presentation of Financial Statements</i>	20 August 2020	20 August 2020 Amends PBE NZ IPSAS 1 <i>Presentation of Financial Statements</i> to introduce more specific disclosure requirements for Tier 1 and Tier 2 public benefit entities about going concern assessments to help preparers of financial statements provide relevant and transparent information to users of those financial statements about the matters considered when making such assessments
Extension of the Temporary Exemption from Applying NZ IFRS 9	20 August 2020	Extends the temporary exemption in NZ IFRS 4 <i>Insurance Contracts</i> for For-profit entities that issue insurance contracts to annual reporting periods beginning on or after 1 January 2023.
Interest Rate Benchmark Reform—Phase 2	17 September 2020	Addresses issues affecting financial statements when changes are made to contractual cashflows and hedging relationships due to interest rate benchmarks being replaced with alternative benchmark rates.
PBE Interest Rate Benchmark Reform—Phase 2	12 November 2020	Addresses issues affecting financial statements when changes are made to contractual cashflows and hedging relationships due to interest rate benchmarks being replaced with alternative benchmark rates.
Disclosure of Accounting Policies – Amendments to NZ IAS 1 <i>Presentation of Financial Statements</i>	26 March 2021	Amends NZ IAS 1 to require entities to disclose their material accounting policy information rather than their significant accounting policies.
Definition of Accounting Estimates – Amendments to NZ IAS 8 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>	26 March 2021	Defines the term accounting estimate to clarify the difference between an accounting policy and an accounting estimate.
Amendments to NZ IFRS 16 Leases	23 April 2021	Extends the practical expedient in NZ IFRS 16 by a year.

Assurance standards and amending standards gazetted 2020/21

Name	Date issued	Description
External Reporting Board Standard Au1 <i>Legislative Update</i>	23 July 2020	Amended to reflect amendments made to the Financial Reporting Act 2013, to include standards for related services within the mandate of the External Reporting Board.
Amendments to Professional and Ethical Standard 1 <i>Part 2 Assurance Practitioners Performing Professional Activities Pursuant to their Relationship with the Firm</i>	22 October 2020	Amendments to include Part 2 of the International Code of Ethics for Professional Accountants, as a result of additional clarification of the applicability of this Part to professional accountants in public practice.
International Standard on Related Services Engagements (New Zealand) 4400 <i>Agreed-Upon Procedures Engagements</i>	4 February 2021	Deals with the practitioner's responsibilities when engaged to perform an agreed-upon procedures engagement, and the form and content on the agreed-upon procedures report.
Amendments to Professional and Ethical Standard 1 <i>Revisions to the Code to Promote the Role and Mindset Expected of Assurance Practitioners</i>	4 March 2021	The revisions highlight the importance of compliance with the fundamental principles to act in the public interest, include a new requirement for to have an enquiring mind and emphasize the importance of being aware of one's bias.
Annual Improvements 2021	15 April 2021	Amended the definition of assurance practitioner in Professional and Ethical Standard 1.

Submissions

Domestic

Recipient	Subject	Date
DIA Policy	Charities Act Review – Modernising the Charities Act 2005	2 June 2021
Economic Development, Science and Innovation Select Committee	Incorporated Societies Bill Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill	28 May 2021
Reserve Bank of New Zealand	Capital Review Exposure Draft Consultation	29 March 2021

International

Recipient	Subject	Date
International Accounting Standards Board (IASB)	• Covid-19-Related Rent Concessions beyond 30 June 2021	February 2021
	• Business Combinations – Disclosures, Goodwill and Impairment	December 2020
	• General Presentation and Disclosure	September 2020
International Public Sector Accounting Standards Board (IPSASB)	• Concessionary Leases Request for Information	May 2021
	• Leases Exposure Draft	May 2021
	• Revenue and Transfer Expenses	October 2020
International Audit and Assurance Standards Board (IAASB)	• Proposed Conforming Amendments to Other Assurance Engagement Standards and Review Engagements	May 2021
	• Going Concern and Fraud Discussion Paper	Feb 2021
	• Auditor Reporting Post Implementation Review Survey	Nov 2020
	• Proposed ISA 600 (Revised) Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)	Oct 2020
	• Proposed Non-Authoritative Guidance Extended External Reporting Assurance	July 2020
International Ethics Standards Board for Accountants (IESBA)	• Post Implementation Review Long Association Survey	April 2021
	• Proposed Revision to the Definitions of Listed Entity and Public Interest Entity in the Code	May 2021
IFRS Foundation Trustees	• Exposure Draft of Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to set IFRS Sustainability Standards.	July 2021


Te tauaki noho haepapa

Statement of Responsibility

In terms of the Crown Entities Act 2004, the Board is responsible for the preparation of the External Reporting Board's financial statements and the Statement of Performance, and for the judgements made in them. The Board is responsible for any year end performance information provided by the External Reporting Board under section 19A of the Public Finance Act 1989.

The Board has the responsibility for establishing, and has established and maintained, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and Statement of Performance fairly reflect the financial position and operations of the External Reporting Board for the year ended June 2021.



Michele Embling
Chair



Jane Taylor
Deputy Chair

Ngā tauākī pūtea

Financial Statements

FOR THE YEAR ENDED 30 JUNE 2021

Statement of Comprehensive Revenue and Expense	38
Statement of Financial Position	39
Statement of Movements in Equity	40
Statement of Cash Flows	41
Statement of Accounting Policies	42
Notes to the Financial Statements	44

Te tauaki whiwhinga, whakapaunga whānui

Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2021

	Notes	Actual 2021 \$'000	Budget 2021 \$'000	Actual 2020 \$'000
Revenue				
Revenue from the Crown		4,410	4,410	4,410
Revenue from the Crown – Climate-related disclosures		1,100	-	-
Interest received		8	30	37
Total Revenue		5,518	4,440	4,447
Expenses				
Personnel costs		2,446	2,919	2,568
Fees to board members (meeting fees and project fees)	1	598	804	681
General operating costs		205	251	224
Travel		57	328	221
Contributions to IASB & IPSASB		250	300	300
Premises expenses		165	184	173
Depreciation and amortisation	2, 6, 7	107	111	143
Website / IT costs		128	125	112
Miscellaneous costs		-	-	2
Professional fees and technical contractors		348	225	151
Audit fees for financial statements		24	24	24
Total Expenses		4,328	5,271	4,599
Surplus/(Deficit) and Total Comprehensive Revenue and Expense		1,190	(831)	(152)

Explanations of major variances to budget are provided in Note 18.

The Statement of Accounting Policies and the Notes to the Financial Statements form part of and are to be read in conjunction with the Statement of Comprehensive Revenue and Expense.

Te tauaki tūnga pūtea

Statement of Financial Position

As at 30 June 2021

	Notes	Actual 2021 \$'000	Budget 2021 \$'000	Actual 2020 \$'000
Equity				
Contributed Capital		725	725	725
Accumulated Surpluses		2,492	1	1,302
Total Equity		3,217	726	2,027
Current Assets				
Cash at bank		2,225	197	693
Receivables		-	60	6
GST Receivable		36	-	23
Prepayments		11	10	105
Investments	3	1,256	729	1,253
Total Current Assets		3,528	996	2,080
Current Liabilities				
Payables	4	283	306	117
Employee entitlements	5	206	160	172
Total Current Liabilities		489	466	289
Working Capital		3,039	530	1,791
Non-Current Assets				
Property, plant & equipment	6	177	201	194
Intangible Assets – Work In Progress		-	-	24
Intangible assets	7	21	20	38
Total Non-Current Assets		198	221	256
Non Current Liabilities				
Provisions	8	20	25	20
Total Non Current Liabilities		20	25	20
Total Net Assets		3,217	726	2,027

Explanations of major variances to budget are provided in Note 18.

The Statement of Accounting Policies and the Notes to the Financial Statements form part of and are to be read in conjunction with the Statement of Financial Position.

Te tauaki nekeneke tūtanga

Statement of Movements in Equity

For the year ended 30 June 2021

	Actual 2021 \$'000	Budget 2021 \$'000	Actual 2020 \$'000
Equity as at 1 July	2,027	1,557	2,179
Total Comprehensive Revenue and Expense	1,190	(831)	(152)
Equity as at 30 June	3,217	726	2,027

The Statement of Accounting Policies and the Notes to the Financial Statements form part of and are to be read in conjunction with the Statement of Movements in Equity.

Te tauaki kapewhiti

Statement of Cash Flows

For the year ended 30 June 2021

	Actual 2021 \$'000	Budget 2021 \$'000	Actual 2020 \$'000
Cash Flows from Operating Activities			
<i>Cash was provided from:</i>			
Revenue from the Crown	5,510	4,410	4,410
Interest received	11	30	38
	5,521	4,440	4,448
<i>Cash was disbursed to:</i>			
Payments to employees	2,412	2,919	2,562
Payments to suppliers	1,276	2,056	1,767
Contributions to international standards boards	250	200	300
	3,938	5,175	4,629
Net Cash Flow from Operating Activities	1,583	(735)	(181)
Cash flows from Investing Activities			
<i>Cash was provided from:</i>			
Sale of fixed assets	-	-	1
Investments	-	600	845
<i>Cash was disbursed to:</i>			
Investment	3	-	-
Purchase of Property, plant & equipment	48	105	49
Net Cash Flow from Investing Activities	(51)	495	797
Net Increase/(Decrease) in Cash	1,532	(240)	616
Add Opening Cash Balance	693	437	77
Closing Cash Balance	2,225	197	693

Explanations of major variances to budget are provided in Note 18.

The Statement of Accounting Policies and the Notes to the Financial Statements form part of and are to be read in conjunction with the Statement of Cash Flows.

Te tauaki kaupapa-here kaute

Statement of Accounting Policies

For the year ended 30 June 2021

Reporting entity

The XRB was established by the Financial Reporting Act 1993, with continued existence under the Financial Reporting Act 2013. All members of the XRB Board are appointed by the Governor General on the recommendation of the Minister of Commerce and Consumer Affairs.

The XRB is an Independent Crown Entity under the Crown Entities Act 2004. It is responsible for financial reporting strategy and preparing and issuing both accounting and auditing & assurance standards. This includes all the functions relating to the setting of financial reporting standards for entities required to apply or opt to apply External Reporting Board financial reporting standards and auditing & assurance standards for auditors providing assurance required by statute.

The XRB has designated itself a public benefit entity (PBE) for financial reporting purposes.

The financial statements for the XRB are for the year ended 30 June 2021 and were approved by the XRB Board on 21 December 2021.

Basis of preparation

Statement of Compliance

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

The financial statements of the XRB have been prepared in accordance with the requirements of section 154 of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice ("GAAP"). Specific disclosures required under section 152 of the Crown Entities Act 2004 are disclosed in the notes to the financial statements.

These financial statements have been prepared in accordance with PBE Standards RDR. The criteria under which the XRB is eligible to report in accordance with PBE Standards RDR are:

- » The XRB does not have public accountability as defined in XRB A1 Application of the Accounting Standards Framework; and
- » The XRB has total expenses between \$2 million and \$30 million. These financial statements comply with PBE Standards RDR.

Measurement base

The financial statements have been prepared on a historical cost basis, unless otherwise specified.

Functional, presentation currency and rounding

The financial statements are presented in New Zealand dollars, which is also the functional currency of the XRB. All values are rounded to the nearest thousand dollars (\$'000) unless otherwise specified.

Changes in accounting policies

There have been no changes in accounting policies during the financial year.

Summary of significant accounting policies

Revenue from the Crown

The XRB is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the XRB meeting its objectives as specified in the Statement of Intent.

The XRB considers that there are no conditions attached to the Crown funding and as such it is recognised as revenue at the point of entitlement and is measured at the fair value of consideration received or receivable.

Interest received

Interest received is recognised using the effective interest rate method.

Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the Inland Revenue Department, including the GST related to investing activities is classified as net operating cash flows in the statement of cash flows.

Income Tax

The XRB is exempt from the payment of income tax. Accordingly, no provision for income tax has been made.

Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the XRB Board at the beginning of the financial year. The budget figures have been prepared in accordance with GAAP, using accounting policies that are consistent with those adopted by the XRB for the preparation of these financial statements.

Operating Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the XRB are classified as operating leases. Payments are recognised as an expense on a straight-line basis over the term of the lease in the Statement of Comprehensive Revenue and Expense when payable.

Cost Allocation

Direct costs are charged directly to outputs.

Attributed overhead costs and other revenues are amounts that cannot be attributed to a specific output in an economically feasible manner. These are charged to Outputs based on cost drivers or usage information.

Ngā whakamārama mō ngā tauaki pūtea

Notes to the Financial Statements

For the year ended 30 June 2021

1. Fees to board members – meeting fees and project fees

The fees to board members include the following fees paid to XRB Board members.

XRB		Meetings Attended 2021	Total 2021 \$	Meetings Attended 2020	Total 2020 \$
<i>Total meetings held for the year</i>		9		5	
Michael Bradbury	(a)	9/9	21,201	5/5	20,550
Jacqueline Robertson Cheyne	(b)	9/9	34,387	5/5	14,043
Kimberley Crook	(c)	2/2	3,855	4/5	9,630
Bill Edge – FRC	(d)	8/9	-	5/5	-
Michele Embling – Chair	(e)	9/9	69,580	5/5	43,865
Julia Fink		9/9	21,612	5/5	13,700
John Kensington		9/9	21,418	5/5	13,700
Jane Taylor	(f)	6/9	28,909	5/5	18,125
Fergus Welsh	(g)	9/9	-	4/5	-
Total Board Fees			200,962		133,613

Board members are paid a daily rate for preparation and attendance at Board meetings. The daily rate is determined by the Remuneration Authority.

- (a) Michael Bradbury additional fees are for his role on the Nominations Committee.
- (b) Jacqueline Robertson Cheyne additional fees payable are for her role as chair of the Climate-related Disclosures Steering Committee and Panel.
- (c) Kimberley Crook retired from the Board in August 2020.
- (d) Bill Edge is the Australian FRC representative and as such is not remunerated.
- (e) Fees are payable to Michele Embling for additional responsibilities as chair of the XRB, her membership on the Nominations Committee, and her roles on the Australian FRC, the Climate-related Disclosures Steering Committee and Panel.
- (f) Jane Taylor additional fees payable are for Chairing the Nominations Committee and also for her roles on the Climate-related Disclosures Steering Committee and Panel.
- (g) Fergus Welsh is a state servant and accordingly is not remunerated as a Board member.

Technical Standards Board remuneration

The XRB has two technical standards Boards – the New Zealand Accounting Standards Board (NZASB) and the New Zealand Auditing and Assurance Board (NZAuASB). Technical Standards Board members are paid a daily rate for preparation and attendance at Board meetings. The daily rate is determined by the Remuneration Authority.

The remuneration of members of these boards is as follows:

NZASB		Meetings Attended 2021	Total 2021 \$	Meetings Attended 2020	Total 2020 \$
Total meetings held for the year		9		9	
Michael Bradbury	(a)	9/9	37,619	-	-
Francis Caetano		9/9	22,160	9/9	24,232
Carolyn Cordery - Chair	(b)	4/4	50,025	-	-
Kimberley Crook – Chair (2020)	(c)	-	-	9/9	158,050
Charles Hett		-	-	8/9	18,495
Karl Hickey		9/9	19,937	9/9	18,146
Denise Hodgkins		9/9	22,160	8/9	21,064
Keith Kendall – AASB	(d)	5/9	-	3/3	-
Nives Botica-Redmayne	(e)	6/9	15,276	9/9	22,434
Angela Ryan – Deputy Chair	(f)	9/9	-	9/9	-
Richard Smyth		9/9	21,817	9/9	22,148
Jason Stinchcombe		9/9	21,817	9/9	23,975
Total Technical Standards Board Fees			210,811		308,544

(a) Michael Bradbury was Acting Chair of the NZASB from 1 July 2020 to 24 January 2021 until Carolyn Cordery was appointed. Mike was appointed as a member of the NZASB from 1 July 2021.

(b) Carolyn Cordery was appointed Chair of the NZASB from 25 January 2021. Carolyn is also a member of the AASB and the XRB Nominations Committee.

(c) Kimberley Crook was the Chair of the NZASB and was a member of the AASB. Kimberley also attended international fora on behalf of the NZASB. Kimberley Crook retired from the Board at 30 June 2020.

(d) The AASB representative on the NZASB is not remunerated. Kris Peach retired from the NZASB from 30 April 2020. Keith Kendall was appointed from 1 May 2020.

(e) Nives Botica-Redmayne has been granted leave of absence from the Board from April 2021 to 31 December 2021.

(f) Angela Ryan is a state servant and as such is not remunerated.

Notes to the Financial Statements

For the year ended 30 June 2021

Technical Standards Board remuneration – continued

NZAuASB	Meetings Attended 2021	Total 2021 \$	Meetings Attended 2020	Total 2020 \$
Total meetings held for the year	7		7	
Robert Buchanan – Chair (a)	7/7	76,339	7/7	93,217
Robert Cox (b)	7/7	-		
Clyde D'Souza	7/7	18,153	6/7	17,810
Bill Edge – AUASB (c)	3/3	-		
Craig Fisher	-	-	7/7	24,550
David Hay	7/7	18,838	6/7	20,583
John Kensington – Deputy Chair	6/7	15,687	7/7	19,865
Ian Marshall	6.5/7	15,043	7/7	20,726
Marje Russ (d)	7/7	23,627	6/7	24,661
Karen Shires	7/7	18,838	7/7	17,810
Roger Simnett – AUASB (c)	4/4	-	7/7	-
Total Technical Standards Board Fees		186,525		239,222

- (a) Robert Buchanan is the Chair of the NZAuASB. Robert is also the NZAuASB representative on the Australian Auditing and Assurance Standards Board (AUASB) and attends international fora on behalf of the NZAuASB. Robert is also a member on the Nominations Committee.
- (b) Robert Cox was appointed from 1 July 2020 and is a state servant and accordingly is not remunerated as a Board member.
- (c) The Australian Auditing and Assurance Standards Board (AUASB) representative on the NZAuASB is not remunerated by the XRB. Roger Simnett retired from the Board at 31 December 2020. Bill Edge was appointed as the new AUASB representative from 1 January 2021.
- (d) Marje Russ provided extra assistance on Climate-related Disclosures and for her work on the IAASB Project Advisory Panel on EER.

2. Depreciation and amortisation

Depreciation

Depreciation is calculated so as to write off the cost over the expected useful lives of the assets from the date they are brought into use.

Straight line depreciation is charged at the following rates:

» Furniture and Fittings	10.5%
» Plant and Equipment	30%
» Property Improvements	7%
» Computer Equipment	40%

Amortisation

The carrying value of an asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for the financial year is expensed in the surplus / (deficit).

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

» Software	40%
» Website	25%

	Actual 2021 \$000	Actual 2020 \$000
Depreciation	56	82
Amortisation	51	61
Total Depreciation and Amortisation	107	143

3. Investments

Investments in bank deposits are initially measured at the amount invested. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest rate method, less any provision for impairment.

	Actual 2021 \$000	Actual 2020 \$000
BNZ Term Deposits	1,256	1,253
Total Investments	1,256	1,253

The XRB has three term deposits at 30 June 2021:

\$506,775 maturing August 2021 at 0.45%

\$248,564 maturing July 2021 at 0.45%

\$500,212 maturing July 2021 at 0.45%

The carrying amount of term deposits approximates their fair value. The BNZ has an AA- rating with Standard and Poors.

Notes to the Financial Statements

For the year ended 30 June 2021

4. Payables

Short term payables are recorded at the amount payable.

	Actual 2021 \$000	Actual 2020 \$000
Creditors	196	63
Accruals	87	54
Total Payables	283	117

Payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of payables approximates their fair value.

5. Employee entitlements

Short term employee benefits

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries accrued up to balance date and annual leave earned but not yet taken at balance date.

A liability and expense are recognised for performance incentives where there is a contractual obligation.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the period as incurred. This was \$70,045 (2020: \$69,201).

	Actual 2021 \$000	Actual 2020 \$000
Holiday Pay Accrual	122	112
Accrued Salaries	84	60
Total Employee Entitlements	206	172

6. Property plant and equipment

Property, plant and equipment consists of the following asset classes; furniture and fittings, plant and equipment, property improvements and computer equipment.

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the XRB and the cost of the item can be measured reliably.

Purchases of property, plant and equipment are initially recorded at cost.

Items of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may overstate its recoverable service amount.

Costs incurred subsequent to the initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the XRB and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the period as they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net.

2020/21

\$'000	Furniture and Fittings	Plant and Equipment	Property Improvements	Computer Equipment	Total
Cost					
Opening Balance	182	17	224	222	645
Additions	2	-	1	37	40
Disposals	-	-	-	13	13
Closing Balance	184	17	225	246	672
Accumulated Depreciation					
Opening Balance	120	12	134	185	451
Depreciation	14	3	16	23	56
Disposals	-	-	-	12	12
Closing Balance	134	15	150	196	495
Carrying Amounts					
At 30 June 2021	50	2	75	50	177
At 30 June 2020	62	5	90	37	194

Notes to the Financial Statements

For the year ended 30 June 2021

7. Intangible assets

The intangible assets comprise software licenses and website development costs capitalised.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The XRB does not capitalise any internal costs incurred in the development of software for internal use.

Costs associated with maintaining computer software are recognised as an expense when incurred.

	Actual 2021 \$000	Actual 2020 \$000
Cost		
Opening Balance 1 July	290	285
Additions	34	5
Disposals	-	-
Closing Balance 30 June	324	290
Accumulated Amortisation		
Opening Balance 1 July	252	191
Amortisation	51	61
Disposals	-	-
Closing Balance 30 June	303	252
Carrying Amount 30 June	21	38

8. Provisions

	Actual 2021 \$000	Actual 2020 \$000
Provision for Make Good	20	20
Total Provisions	20	20

The XRB is required to make good any damage caused to the office premises that it leases at the end of the lease and remove any fittings and fixtures.

9. Financial instruments

The XRB is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, receivables and payables. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Comprehensive Revenue and Expense.

All financial assets are classified as loans and receivables. All financial liabilities are classified as financial liabilities measured at amortised cost.

10. Employee remuneration paid

Total remuneration paid or payable that is or exceeds \$100,000:

Remuneration Range	Actual 2021 \$000	Actual 2020 \$000
\$110,000 – \$119,999	1	3
\$120,000 – \$129,999	2	-
\$130,000 – \$139,999	1	4
\$140,000 – \$149,999	2	1
\$150,000 – \$159,999	-	2
\$170,000 – \$179,999	1	1
\$190,000 – \$199,999	2	2
\$200,000 – \$209,999	1	1
\$270,000 – \$279,999	1	-

11. Related party information

The XRB is an independent Crown entity as defined by the Crown Entities Act 2004.

All related party transactions have been entered on an arm's length basis.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client / recipient relationship on terms which are no more or less favourable than those that it is reasonable to expect XRB would have adopted in dealing with a party at arm's length in the same circumstances.

Further, transactions with other Government agencies (for example Government departments, Crown Entities and SOEs) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between Government agencies and undertaken on the normal terms and conditions for such transactions.

Key management personnel

No transactions were entered into during the year with key management personnel.

Key management personnel compensation

	Actual 2021 \$000	Actual 2020 \$000
XRB Board meeting fees (remuneration to XRB Board members)	201	125
Full time equivalent members	0.5	0.3
Salaries and other short-term employee benefits	1,011	903
Full time equivalent employees	4.87	4.02
Total Key Management Personnel Compensation	1,212	1,028

Key management personnel include the XRB Board, the Chief Executive, Chief Operating Officer, Director Audit & Assurance Standards (and Interim director of Audit and Assurance), the Director of Accounting Standards, the Head of Communications and Engagement, the Director of Climate Disclosures and the Interim Director of Climate Disclosures. The Board meeting fees included above only include payments relating to work completed for the XRB Board – where members of the XRB Board are also on other boards such as Kimberley Crook (NZASB), Michael Bradbury (NZASB) and John Kensington (NZAuASB), these fees are excluded.

No XRB Board members received compensation or other benefits in relation to cessation (2020: nil).

Notes to the Financial Statements

For the year ended 30 June 2021

12. Severance payments

No payments or other benefits were made to employees during the year in relation to cessation (2020: nil).

13. Indemnity insurance

The XRB has professional indemnity insurance cover during the financial year of \$2,000,000 (2020: \$1,000,000), in respect of the liability or costs of Board members or employees.

14. Operating lease commitments

	Actual 2021 \$000	Actual 2020 \$000
Not later than one year	123	130
Later than one year and not later than five years	134	-
Total Operating Lease Commitments	257	130

The XRB has entered into the following non-cancellable lease agreements:

- The lease of premises at 50 Manners Street, Wellington has been renewed until 30 June 2023. This is the final right of renewal. The XRB has the option to extend the lease for a further 2 years.
- The lease of premises at 59 High Street, Auckland was terminated on 31 December 2020.

15. Capital commitments

The XRB has no capital commitments at 30 June 2021. (2020: \$30,000)

16. Contingent liabilities

The XRB has no material contingent liabilities (2020: nil).

17. Events after the balance sheet date

During the year the XRB undertook an efficiency and effectiveness review in preparation for the extension of our mandate in the area of climate-related disclosure standards and other non-binding integrated reporting guidance. The review highlighted that new capabilities and additional capacity would be needed, not only at a technical level, but also in how we deliver our work. Subsequent to year end we formalised a plan to close the resourcing gap and adjust our structure to support the extended mandate and our new way of work. Incremental costs of \$80,000 were incurred. (2020: nil).

18. Explanation of significant variances against budget

Statement of Comprehensive Revenue and Expense

Revenue from the Crown – Climate-related disclosures

Revenue from the Crown was \$1.1 million higher than budget due to XRB receiving additional funding through the 2020/21 Supplementary Estimates to commence work on the creation of Climate-related Disclosures (CRD) standards for New Zealand. The surplus reflected below is mainly due to the timing of securing the required staff resources at senior level, and the consequential flow on effect on planned constituency engagement and XRB Board meeting time. Accordingly the funding for this programme was not fully used in 2020/21 and the remaining funding will be applied to continue the work in 2021/22. The below table shows the impact of the CRD work on total revenue, various expense items and the surplus for the year.

	Actual			Budget
	Total	CRD	Excl CRD	Excl CRD
Total revenue	5,518	1,100	4,418	4,440
Expenses				
Personnel costs	2,446	258	2,188	2,919
Board member fees	598	48	550	804
General operating costs	705	220	485	625
Travel	57	12	45	328
Other	522	-	522	595
Total Expenses	4,328	538	3,790	5,271
Surplus/(Deficit) and Total Comprehensive Revenue and Expense	1,190	562	628	(831)

Notes to the Financial Statements

For the year ended 30 June 2021

Interest Received

Interest received is lower than budget due to lower interest rates earned during the year.

Personnel Costs

Personnel costs are under budget for the year.

- » We had included in the budget several positions which did not get appointed- one due to the closure of the New Zealand border, another due to the subsequent disestablishment of the position and another not filled due to uncertainty over XRB funding and budget bid.
- » Due to general public sector pay constraints, the budgeted increase in salaries was not made, which also resulted in lower than budgeted amounts for kiwisaver contributions and holiday pay.

Fees to board members

Fees to Board members is under budget by \$206,000 mainly due to a reduction in the Board members daily rates by 10% by the Remuneration Authority from 9 July 2020 to 6 January 2021. The Chair's rate for the same period was reduced by 20%. In addition, fewer subcommittee meetings were required.

General Operating Costs

Several expenses within general operating costs were under budget;

- » Savings were made by moving most of our board meetings to virtual meetings as a consequence of COVID-19- this includes venue hire and catering savings.
- » Savings on Communications and media monitoring as we now have an in house Head of Communications and Engagement from September 2020.
- » Planned in-person constituency engagement could not be undertaken as a consequence of COVID-19.

Contributions to IASB and IPSASB

The XRB has reduced its annual contribution to the IASB from \$200,000 per annum to \$150,000 per annum in order to ensure our contribution is comparable to other countries who fund the IASB with a GDP ranking similar to New Zealand. We continued our contribution to IPSASB in the amount of \$100,000.

Premises expenses

Premises expenses are under budget mainly due to:

- » the closure of our Auckland office in December 2020. Staff have been relocated to a serviced office arrangements.
- » Planned lease of a premises in Christchurch did not eventuate.

Professional fees and technical contractors

Professional fees are over budget primarily due to the XRB hiring contractors rather than employees to commence the Climate-related disclosures work (\$76,000) prior to our ongoing funding being approved. In addition, we required additional temporary resources in our accounting (\$21,000) and auditing technical teams (\$9,000).

Travel

Travel costs are lower than budget. This is mainly due to the impact of COVID-19 with all international travel cancelled from February 2020. Domestic travel resumed in October 2020, however. We continue to operate some Board meetings virtually which continues to present savings. In addition, we have received some pre booked flights as credits which we have been utilising to reduce our travel costs this year also. These travel credits have now all been utilised and / or refunded by Air New Zealand and Qantas.

Statement of Financial Position

Cash at Bank and Investments

Our cash and investment balances are significantly higher than budget. This is mainly due to the XRB receiving additional appropriation funding during the year of \$1.1 million to commence the work on Climate related disclosures, and the reduced expenditure discussed above.

Receivables

The Budget included an amount held in credit with Air New Zealand that we were to use as future flights. We have been able to secure the refund of these amounts in total during the financial year.

Property, plant & equipment

The budget included an amount for the refurbishment of the Wellington office, which was postponed to the next financial year.

Intangible assets

We completed the project to upgrade our website to a newer platform during the financial year which commenced in the prior year and was included in work in progress at 30 June 2020. The total cost was \$34,000.

Employee Entitlements

Employee entitlements is higher than budget mainly due to higher than expected annual leave balances.

Statement of Cash Flows

The main reasons for the increase in cash flow were due to the XRB securing additional appropriation funding (\$1.1 million) during the year to commence the work on Climate related disclosures and the reduced expenditure discussed above.

Independent Auditor's report

To the readers of the External Reporting Board's financial statements and statement of performance for the year ended 30 June 2021

The Auditor-General is the auditor of External Reporting Board (the XRB). The Auditor-General has appointed me, Rehan Badar, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the statement of performance, including the performance information for an appropriation, of the XRB on his behalf.

Opinion

We have audited:

- the financial statements of the XRB on pages 36 to 55 that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expense, statement of movements in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the statement of performance of the XRB on pages 17 to 30.

In our opinion:

- the financial statements of the XRB on pages 36 to 55:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2021; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime; and
- the statement of performance on pages 17 to 30:
 - presents fairly, in all material respects, the XRB's performance for the year ended 30 June 2021, including:
 - for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and

- its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
 - what has been achieved with the appropriation; and
 - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 21 December 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the statement of performance, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of the Board for the financial statements and the statement of performance

The Board is responsible on behalf of the XRB for preparing financial statements and statement of performance that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and statement of performance that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the statement of performance, the Board is responsible on behalf of the XRB for assessing the XRB's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the XRB, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

Responsibilities of the auditor for the audit of the financial statements and the statement of performance

Our objectives are to obtain reasonable assurance about whether the financial statements and the statement of performance, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the statement of performance.

For the budget information reported in the financial statements and the statement of performance, our procedures were limited to checking that the information agreed to the XRB's statement of performance expectations and relevant Estimates and Supplementary Estimates of Appropriations 2020/21.

We did not evaluate the security and controls over the electronic publication of the financial statements and the statement of performance.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the statement of performance, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the XRB's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported statement of performance within the XRB's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the XRB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the statement of performance or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the XRB to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the statement of performance, including the disclosures, and whether the financial statements and the statement of performance represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board is responsible for the other information. The other information comprises the information included on pages 1 to 60, but does not include the financial statements and the statement of performance, and our auditor's report thereon.

Our opinion on the financial statements and the statement of performance does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the statement of performance, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the statement of performance or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the XRB in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

The following relationships exist:

- An employee of the Auditor-General is a member of the New Zealand Auditing and Assurance Standards Board.
- The Auditor-General is a member of the External Reporting Advisory Panel of the XRB.
- Three employees of the XRB are the spouses of the Chief Executive, Chief Financial Officer and an Audit Director of Audit New Zealand.

Our independence as auditor of the XRB has not been impaired, because:

- The Auditor-General's employees and the Auditor-General are not remunerated for their membership.
- None of the above mentioned matters have any influence over the governance, operations or accountability of the XRB, apart from one XRB employee. This employee joined XRB during the year and does have some influence over operations. We have applied appropriate

mitigations to reduce any perceived threat to independence to an acceptable level by replacing the Appointed Auditor. Previous Appointed Auditor deemed to have a relevant personal relationship with the XRB employee.

We have no other relationships with, or interests in, the XRB.



Rehan Badar
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Papakupu

Glossary

AASB	Australian Accounting Standards Board
ASF	Accounting Standards Framework
ASRB	Accounting Standards Review Board
AUASB	Australian Auditing and Assurance Board
CRFD	Climate Related Financial Disclosures
ED	Exposure Draft
EER	Extended External Reporting
FMA	Financial Markets Authority
IAASB	International Audit and Assurance Board
IASB	International Accounting Standards Board
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IPSASB	International Public Sector Accounting Standards Board
KAMS	Key Audit Matters
MBIE	Ministry for Business, Innovation and Employment
MfE	Ministry for the Environment
NZ IFRS RDR	New Zealand International Financial Reporting Standard Reduced Disclosure Regime
NZASB	New Zealand Accounting Standards Board
NZAuASB	New Zealand Audit and Assurance Board
PBE	Public Benefit Entity
SME	Small and Medium Enterprises
TRG	Technical Reference Group
XRAP	External Reporting Advisory Panel
XRB	External Reporting Board

