



EXTERNAL REPORTING BOARD

Te Kāwai Ārahi Pūrongo Mōwaho

Statement of Intent

**For the five-year period
1 July 2017 to 30 June 2022**

April 2017

Prepared in accordance with section 139 of the Crown Entities Act 2004

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Statement of Responsibility

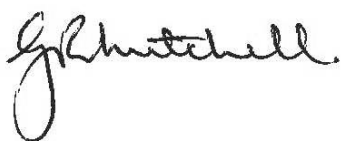
This Statement of Intent has been prepared in accordance with the requirements of sections 139 of the Crown Entities Act 2004. The purpose of the Statement of Intent is to promote the public accountability of the External Reporting Board (XRB) by:

- enabling the Crown to participate in the process of setting the XRB's strategic intentions and medium-term undertakings;
- setting out for the House of Representatives those intentions and undertakings; and
- providing a base against which the XRB's actual performance can be assessed.

The Board is responsible for the content of this Statement of Intent.

As the XRB is an Independent Crown Entity, the Minister may not direct the XRB to have regard to, or give effect to, a government policy relating to the XRB's standard setting functions and as a result no such matters are included in this Statement of Intent.

In accordance with section 145 of the Crown Entities Act 2004, the XRB has consulted with the Minister of Commerce and Consumer Affairs in the preparation of this Statement.



Graeme Mitchell

Chair

27 April 2017



Michele Embling

Deputy Chair

27 April 2017

Part 1: Introduction

The External Reporting Board (XRB) is an Independent Crown Entity, initially established under the Financial Reporting Act 1993, with continued existence under Section 11 of the Financial Reporting Act 2013. As a Crown Entity, the XRB is subject to the Crown Entities Act 2004.

The functions of the XRB are prescribed by Section 12 of the Financial Reporting Act 2013¹ and comprise:

- developing and implementing an overall strategy for financial reporting standards (both accounting and auditing & assurance standards), including developing and implementing tiers of financial reporting;
- preparing and issuing accounting standards, including where applicable “non-GAAP standards” for entities entitled by Law to use cash accounting, and authoritative pronouncements;
- preparing and issuing auditing & assurance standards, including the professional and ethical standards that will govern the professional conduct of auditors; and
- liaising with national and international organisations that exercise functions that correspond with, or are similar to, those conferred on the XRB.

The Board itself comprises nine members appointed by the Governor-General on the recommendation of the responsible Minister (the Minister of Commerce and Consumer Affairs). Information about the current members of the XRB can be found at www.xrb.govt.nz.

The Board has established two standard setting boards², one that has responsibility for accounting standard setting (the New Zealand Accounting Standards Board) and the other with responsibility for auditing & assurance standard setting (the New Zealand Auditing and Assurance Standards Board). This structure is designed to not only ensure that the technical resources are available and that standard setting is undertaken in accordance with best practice, but also to enhance functional equivalence with Australia. These part-time, remunerated (in accordance with rates determined by the Remuneration Authority) standards boards are appointed by the XRB Board, and comprise up to ten suitably qualified and experienced persons with a diversity of perspective. Information about the current members of the standard setting boards can be found at www.xrb.govt.nz.

The XRB itself is responsible for general governance of the organisation, overall financial reporting strategy, standards strategy, and oversight of the standard setting boards.

A staff team, (currently 17) based in offices in Wellington, Auckland and Nelson, provides technical and logistical support to the three Boards.

¹ The functions of the XRB under the 2013 Act are not significantly different from those under the 1993 Act.

² In terms of the Crown Entities Act 2004, these are Committees of the XRB Board.

Part 2: Strategic Intentions 2017-2022

2.1 Purpose of this Part

This part of the Statement of Intent outlines the XRB's strategic intentions (the strategic objectives that the XRB intends to achieve or contribute to) for the five-year period 1 July 2017 to 30 June 2022. In doing so it outlines the XRB's outcome goal and how it contributes to the Government's goals, the strategic objectives and achievements over the last three years, and the strategic priorities for the next five years (the period covered by this Statement of Intent).

2.2 XRB's Outcome Goal

Government Priorities

The Government has established the following as its priorities for the period covered by this Statement of Intent:

- responsibly manage the Government's finances
- build a more competitive and productive economy
- deliver better public services
- rebuild Christchurch.

The activities of the XRB are mostly related to the Government's objective *building a more competitive and productive economy*, and the associated Business Growth Agenda 2015 - *Towards 2025*, one of the intermediate outcomes flowing from this overarching goal is: *attracting of high quality investment into all parts of New Zealand*. Accordingly, these form the XRB's overarching outcome goal.

The XRB will, however, seek to contribute to the Government's other priorities in ways appropriate for the XRB. This will include ensuring that the XRB's financial reporting standards encourage the reporting of the Government's finances in a transparent and meaningful way; and in ensuring that the XRB operates in an efficient and fiscally prudent manner and with a culture of continuous performance improvement.

XRB's Outcome Goal

A precondition for a competitive and productive economy together with attracting high quality investment, is effective public accountability and good corporate governance. This applies in all sectors (for-profit, public sector and not-for-profit) and in this sense public accountability, good corporate governance and "business" needs to be viewed in a wide multi-sectoral context rather than in just a commercial context.

Good corporate governance requires, among other things, systems and processes that encourage the management of entities to behave in ways that are fully consistent with the interests of shareholders and other stakeholders. To that end, the main purpose of financial reports is to promote the accountability of the senior management of an entity to those who own it, either directly (e.g. shareholders in the case of companies or members in the case of not-for-profit entities) or indirectly (e.g. taxpayers in the case of government entities).

There is often accountability to a wider range of stakeholders as well, for example debt security holders in the case of issuers of securities, service recipients in the case of public sector entities, and donors in the case of charities.

High quality financial reporting (incorporating both financial and, where relevant, non-financial elements) that informs the decision-making of users of financial reports is therefore important to achieving effective public accountability and good corporate governance, and through them building a more competitive and productive economy together with high quality investment into all parts of New Zealand. To achieve this, financial reporting needs to be of a quality that engenders user confidence in the information received; assists entities to compete (particularly internationally, for example by reducing the cost of funds through the use of generally recognised accounting approaches); and enhances accountability (through the transparency provided). In this way high quality reporting contributes directly to the Government's Business Growth Agenda, particularly the capital markets input area.

High quality financial reporting can only be achieved if the rules on which it is based (accounting standards) are reliable and based on clear and sound economic principles, are mutually consistent, can be readily applied by preparers and can be understood by users; and the assurance provided on that information is similarly based on standards that require robust and independent examination by assurance providers. In other words, a necessary condition for high quality financial reporting is high quality accounting and assurance standards. It is through the issuing of such standards that the XRB contributes to the Government's, including the Business Growth Agenda, outcome goals.

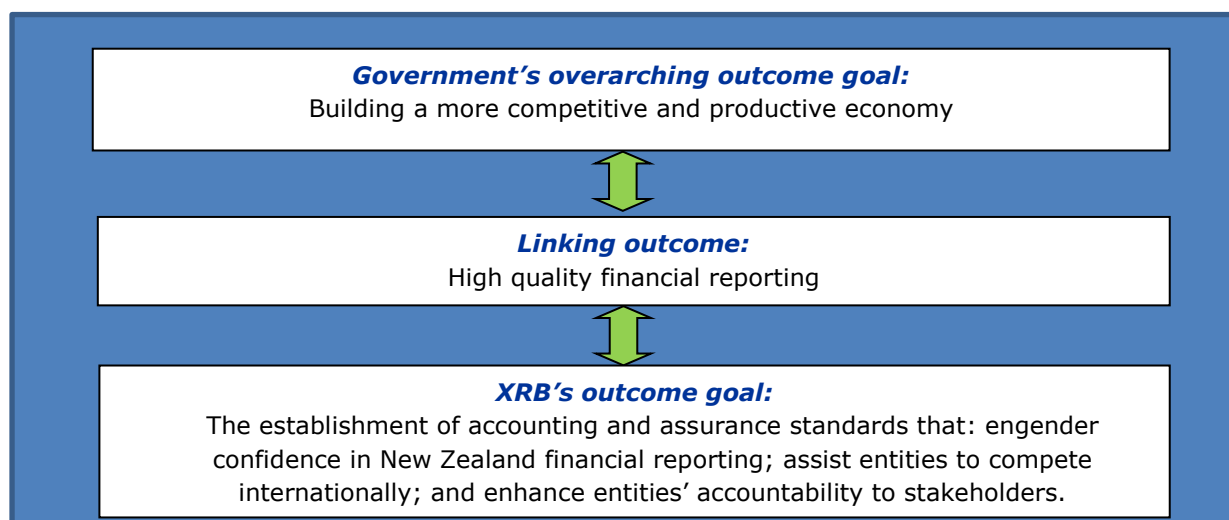
Accordingly, the XRB's outcome goal for the organisation:

The establishment of accounting and assurance standards that:

- *engenders confidence in New Zealand financial reporting;*
- *assist entities to compete internationally; and*
- *enhance entities' accountability to stakeholders.*

The relationship between the XRB's outcome goal and the Government's overarching outcome goal (priorities) is illustrated in Figure 1.

Figure 1: XRB Outcome Framework



The XRB considers that the outcome goal continues to be a good reflection of the overall contribution that the XRB Organisation makes to building a more competitive and productive economy. Accordingly, the XRB has reaffirmed this outcome statement as its outcome goal for the 2017 - 2022 period – the period covered by this Statement of Intent.

2.3 Strategic Context

XRB's priorities over the 1 July 2011 – 30 June 2014 strategic period

The XRB came into existence on 1 July 2011. Strategically, the first three years have been dominated by four broad strategies, all of which have been designed to influence the XRB's outcome goal:

- Establishing the XRB Organisation;
- Putting in place the new Accounting Standards Framework and the new Auditing & Assurance Standards Framework agreed by the XRB on its establishment;
- Responding to legislative changes; and
- Developing and implementing strategies for active and meaningful engagement with the constituency.³

The development and roll-out of the new standards frameworks was of particular importance during this first strategic period.

The Accounting Standards Framework⁴ consists of a two-sector, four-tier structure with different accounting standards applying to each tier. In developing this Framework the XRB's philosophy was that international standards should be adopted unless there are very strong reasons not to; and the for-profit standards should remain harmonised with Australia unless there are very strong reasons not to. Accordingly, the accounting standards for the for-profit sector continue to be based on International Financial Reporting Standards (IFRS). The accounting standards for the public benefit entity sector (which are called PBE Accounting Standards) are based on International Public Sector Accounting Standards (IPSAS) modified as appropriate for public sector and not-for-profit entities in New Zealand. Simple Format Reporting Standards have been developed for application by smaller public benefit entities to reflect the relative costs and benefits of reporting by entities of this size. Establishing the specific accounting standards necessary to give effect to the Accounting Standards Framework began in the 2011/12 financial year, and was completed in the 2014/15 financial year.

The XRB assumed responsibility for setting auditing & assurance standards from 1 July 2011 and an initial set of standards, based on those existing prior to that date, was put

³ A detailed discussion about each of these four broad strategies can be found in the detailed XRB's Strategic Plan for the five year period 1 July 2016 to 30 June 2021, which is available at http://www.xrb.govt.nz/Site/about_us/Accountability_Documents.aspx

⁴ The Accounting Standards Framework is contained in a document entitled "Proposals for the New Zealand Accounting Standards Framework". In accordance with the requirements of the Financial Reporting Act 1993, this document was submitted to, and approved by, the Minister of Commerce in April 2012. The approved document is available at www.xrb.govt.nz.

in place at that time. A new Auditing & Assurance Standards Framework was also adopted at that time. This Framework involved developing the inherited suite of standards so that they are converged with international standards, and harmonised with Australian auditing & assurance standards. Work on implementing this Auditing & Assurance Standards Framework began in the 2011/12 financial year and was substantively completed in the 2013/14 financial year.

The foundation for the 1 July 2014-30 June 2019 strategic period

The XRB's Strategic Plan for the five-year period 1 July 2014 to 30 June 2019 sets out in detail the foundations for the 2014-2019 strategic period. These foundations include, in the context of the XRB Board's strategy;

- The recognition that information needs of users of financial reports evolve over time, particularly in the global financial market of which New Zealand is part;
- The need to continue to consider the extent to which accounting and auditing & assurance standards are meeting user-needs as some needs may emerge locally affecting only entities reporting in New Zealand;
- The need to regularly consider, as part of the New Zealand standard setting process, the inherent tension in the adoption of international standards (which reflect user-needs internationally) and to seek to respond to local user-needs (which do not always reflect the same detailed information needs or balance of costs and benefits as international standards);
- The recognition that the development of the Accounting Standards Framework and the Auditing & Assurance Standards Framework is not an end in itself but is a necessary first step towards achieving the continuous objective of a financial reporting framework and standards (both accounting and assurance) that have a meaningful user-needs focus and that appropriately manage the tensions between conflicting user-needs;
- The need to ensure that financial reporting (including the reporting of relevant non-financial information) is providing information of importance and relevance to users of financial reports, in an appropriately balanced way, to achieve the XRB's outcome goal.

The XRB coined the phrase "*Giving Life to the User-Needs Framework*" in April 2014 as a way of encapsulating these foundations, and as the focus for the strategic period 2014-2019.

2.4 Strategic Priorities 2017-2022

The XRB considers the underlying foundations for "*Giving Life to the User-Needs Framework*" that was the focus for the strategic period 2014-2019 continues to be appropriate for the XRB for the period 2017-2022. Therefore, the XRB's strategic priorities for the period 2017-2022 continue to be based broadly on the same foundations and focus as the period 2014-2019.

In broad terms the strategic priorities for the XRB for the 2017-2022 period (the period covered by this Statement of Intent), can be summarised as follows:

Broad Strategic Approach:

- Maintain the existing financial reporting strategy including the multi-standards, multi-tier Accounting Standards Framework;
- Continue the convergence and harmonisation approach (where applicable) for both accounting and auditing & assurance standards;

Broad Output Priorities:

- We will manage our outputs (subject to the changes from the international standard setting boards) to allow the constituency to concentrate upon implementing and adapting to the standard reforms of 2011-2014. As far as is possible, it will be a period of less reform activity. A post-implementation review of the framework and its application will be undertaken during the 2019-2020 timeframe;
- Maintain the existing suites of standards so that they are of a high quality and remain consistent with international standards and, where applicable, Australian standards;
- Identify and address any deficiencies or gaps in existing standards that are critical to user-needs and the quality of financial reporting, including, where necessary, expanding the legal mandate of the XRB in relation to the issue of standards to better meet user needs and market demands;
- Undertake deliberate, organised research into the financial and non-financial information needs of the various users of our standards:
 - as a basis for considering enhancements to the financial reporting framework or specific standards in the future; and
 - to help inform efforts to influence the work of the international standard setting boards;
- Facilitate debate, provide thought leadership, participate in appropriate forums, issue guidance if considered necessary and generally promote improved corporate reporting processes. This will have a focus on: Service Performance Reporting, Alternative Performance Measures (APM's) from a user's perspective, Extended External Reporting (EER), Management Discussion and Analysis requirements in annual reports and improving presentation within financial statements.

Broad Delivery Mechanisms:

- Seek to influence the work of the international boards during the early stages of standards development through the establishment of "influencing strategies" specific to each international board;
- Continue to develop standards with, rather than to/for, the constituency and, to this end, establish engagement strategies and approaches to further enhance the level and quality of constituency engagement;

- Increase the organisation’s involvement in awareness raising activities to help the constituency better understand the role, purpose and requirements of our standards;
- Effective use of communication technologies in awareness raising activities including but not limited to, our updated website, communiques, newsletters, social media, digital presentations (such as webinars), regular blogs and digital business networks;
- Actively promote the awareness, understanding and implementation of Extended External Reporting (EER) among New Zealand constituents to ensure New Zealand keeps up with emerging international trends and developments in reporting non-financial information to complement the disclosure of financial information such as Integrated Reporting (IR);
- Actively facilitate other relevant organisations to provide appropriate training and professional development activities relating to financial reporting; and
- Actively work with other agencies to ensure the linkages between the work of relevant agencies in the financial and non-financial reporting and assurance areas are identified and gaps addressed.

A fuller description and discussion of these strategic priorities is contained in part 3.3 of this Statement of Intent and in the XRB’s Strategic Plan for the five-year period 1 July 2016 to 30 June 2021 (XRB’s latest published Strategic Plan) entitled “Giving Life to the User-Needs Framework”.⁵

⁵ The Strategic Plan is available at http://www.xrb.govt.nz/Site/about_us/Accountability_Documents.aspx

Part 3: Functions and Capability 2017-2022

3.1 Purpose of this Part

This part of the Statement of Intent outlines the XRB's operational functions and capability initiatives the XRB intends to take to give effect to the strategic intentions outlined in Part 2.

3.2 Nature and Scope of the XRB's Functions and Operations

The intended scope of XRB activities over the 2017-22 period is consistent with the XRB's statutory functions and is as follows:

Accounting and assurance standard setting, and associated strategy setting functions.

The XRB intends to impact its outcome goal over the 2017-22 period through the delivery of one output class:

Financial reporting and auditing & assurance standards setting for the purposes of promoting the quality of financial reporting.

The XRB intends to deliver three outputs as part of that output class during the 2017-2022 period:

Output 1: Financial Reporting Strategy;

Output 2: Preparing and Issuing Accounting Standards; and

Output 3: Preparing and Issuing Auditing & Assurance Standards.

These outputs reflect three of the XRB's statutory responsibilities. The fourth responsibility (liaising with kindred national and international organisations) is undertaken as a core part of delivering these outputs. We have developed a chart showing how we create value. This chart is included at Appendix 1 of this Statement of Intent.

The strategic priorities outlined in Part 2 of this Statement of Intent will be given effect through the way in which the three outputs are delivered. This is discussed in the following sections.

3.3 Management of Functions and Operations to Meet Strategic Intentions

3.3.1 Broad Strategic Approach

The XRB Board remains comfortable with the current financial reporting strategy which comprises two main elements:

- the multi-standards, multi-tier approach; and
- where applicable, standards that are converged with international standards and harmonised with Australian standards.

The XRB Board plans to continue with this broad approach over the 2017-2022 period. It means that New Zealand will continue to be predominantly a “standard-taker”.

The XRB Board remains committed to the convergence and harmonisation strategy in the period 2017-2022: convergence with international standards and, where applicable, harmonisation with Australian standards.

The adoption of international standards as the basis for New Zealand standards reflects the XRB Board’s view that this is in New Zealand’s best interests given the globalised financial reporting environment that now exists. International events and pressures are reflected in the work of the international standard setting boards and, where appropriate, in the standards issued by those boards. In this way, New Zealand standards are reflective of the international environment.

This convergence approach is important in all sectors, but particularly in relation to for-profit entities where the accounting standards are based on IFRS. The adoption of IFRS by New Zealand for-profit reporting entities results in considerable benefits from improved comparability of financial statements, and removal of the need for interested parties and providers of capital to have to translate the New Zealand financial information into the more universally understood accounting practices adopted by New Zealand’s major trading partners. Benefits also accrue in relation to the New Zealand subsidiaries of multinational organisations based in Australia and the European Union, as the IFRS based financial information prepared here can be incorporated directly into their IFRS based group reporting, without translation and amendment.

Similarly, there are significant advantages for New Zealand auditors to be able to assert compliance with International Standards on Auditing (ISAs). These include adding to the credibility of reporting by New Zealand auditors. Having their financial statements being assured under ISAs also benefits New Zealand entities, particularly those who are raising funds in international capital markets by potentially reducing the cost of capital.

The XRB Board considers harmonisation with Australian standards to be a particularly important strategic imperative in establishing accounting standards and auditing & assurance standards for for-profit entities, given both Government policy and the number of for-profit entities with trans-Tasman reporting obligations. The XRB will therefore continue to work closely with its Australian counterparts as appropriate over the 2017-2022 strategic period.

The primary focus of the XRB during the five-year period covered by this Statement of Intent will be the delivery of the three outputs that make up the XRB’s output class. The allocation of resources, the detailed activities of the XRB Organisation, and the management thereof will be focused accordingly.

The way in which those outputs are produced and delivered will affect the degree of impact the outputs have on the achievement of the XRB’s outcome goal. The strategic priorities outlined in section 2.4 are designed to focus attention on aspects of output production that the XRB considers are particularly important to enhancing outcome achievement during the five-year period covered by this Statement of Intent.

3.3.2 Broad Output Priorities

The XRB envisages these strategic priorities being integrated into output production and resource allocation processes as follows:

Relative Stability

The XRB Board is conscious that the first five years of the XRB's existence has, in the New Zealand context, resulted in an unprecedented level of standards output from the XRB – in relation to both accounting standards and auditing & assurance standards. This has not only provided significant challenges for the XRB, it has also required a lot of effort from the constituency to comment on this volume of material.

The next few years will also require considerable effort from the constituency as it implements the new standards. The XRB Board therefore considers that a period of relative stability in accounting and assurance standards (compared particularly to the first three years) is desirable over the 2017-2022 strategic period to allow things to "settle down". Accordingly, unless unexpected events require otherwise, the XRB Board does not intend to make any fundamental change to the structure or substantive content of financial reporting requirements over the 2017-2022 period.

Maintaining Existing Standards

Notwithstanding the desire for relative stability, the XRB Board considers it essential that the suites of existing standards are maintained on an on-going basis so that they are fully converged with international standards and harmonised, where applicable, with Australian standards at all times. This means that maintaining the existing suites of standards will continue to be a key priority for the XRB during the 2017-2022 period.

The maintenance of standards is an on-going process. It involves incorporating in New Zealand standards (following appropriate due process), standards that are issued by the international standard setting bodies, most notably the International Accounting Standards Board (IASB), the International Public Sector Accounting Standards Board (IPSASB), the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). The standards issued by the XRB are therefore heavily influenced by the output of the international boards.

In addition, the XRB Board, NZASB and NZAuASB provide comments on relevant exposure drafts and other documents issued for comment by the international boards. This reflects the XRB's statutory obligation to work with international standard setting bodies. It is also consistent with the XRB Board's strategy of seeking to influence international standards during their development phase (see below).

An important part of the "standards maintenance" activity during the next strategic period will also involve actively monitoring any issues emerging from the implementation of the new standards, and responding to those issues through changes to standards where appropriate.

Addressing Critical Issues

A related continuing priority is addressing any deficiencies or gaps in existing standards that are critical to user-needs and the quality of financial reporting during the next five years.

The XRB Board's view is that overall the suites of accounting and auditing & assurance standards are good, relatively comprehensive and robust. However, the desire for a period of relative stability should not prevent the XRB from seeking to influence the

addressing of any critical issues in the existing standards over the strategic period. This includes, where appropriate, expanding the XRB's legal mandate to enable the XRB to issue standards where this is considered necessary to better meet user needs and market demands.

User-needs Research

The XRB Board is keen to ensure that user-needs are firmly at the forefront of standard setting in New Zealand in the future. It is also keen to promote high quality reporting of information by entities to meet those user-needs.

There are a range of areas where information might be able to be improved to better meet user-needs including:

- financial information;
- non-financial information;
- audit information; and
- the integration between them.⁶

Having considered a variety of such opportunities (including developments such as Integrated Reporting) the XRB Board has concluded that the XRB does not have sufficient information about the users of information and assurance provided under its standards (both accounting and auditing), their information needs, and which of those information needs should be met through General Purpose Financial Reporting (GPFR) (and the statutory assurance thereon). This reflects the normative way in which standard setting has historically been done in New Zealand (and elsewhere around the world) and the XRB Board would like to move to a more empirical, evidence-based approach.

The XRB Board has therefore concluded that it should continue to be a priority for the 2017-2022 strategic period to undertake research into user needs, in both the accounting and auditing & assurance context. Such an approach sits well with the period of relative stability. It allows the XRB to work behind the scenes during this period gathering empirical evidence to inform future decisions about how to enhance XRB standards, what areas the XRB should be encouraging the international boards to address, and as a basis for empirical-based discussions with the international boards.

The XRB Board acknowledges the international difficulties (accessing an appropriate population) experienced in conducting research into user-needs. However, the Board considers that New Zealand's relatively small size and the nature of the New Zealand market-place are likely to make at least some user-needs research possible in our context. The XRB Board's intention is that the research will focus on both what users need and do not need, including any information currently being reported that is not needed.

Post-implementation Review

While the XRB Board's broad strategic approach remains appropriate for the period 2017-2022, based on findings from its research projects, the XRB Board will conduct a

⁶ The XRB Board is particularly supportive of the integration of financial and non-financial information. It considers that the XRB should actively monitor non-financial information developments such as Integrated Reporting, and that assurance issues should be considered contemporaneously. Furthermore, the XRB Board accepts that the XRB is best placed to consider and participate in such developments in New Zealand. However, these (and other) issues need to be explored through a user-needs lens.

post-implementation review of its standards frameworks in the 2019-2020 period to ensure that its broad strategic approach and the standards frameworks continue to be appropriate from 2021 onwards. The review will include a review of the costs and benefits aspects of the standards frameworks.

3.3.3 Broad Delivery Mechanisms

Influencing International Boards

The XRB Board's convergence strategy means the current strategy of seeking to influence the international boards "at the front end" (i.e. during the early stages of standard development) will continue to be important. Although quite some effort has been applied, by the XRB since 2011 to this strategy, the XRB Board considers that this should be an area of even greater emphasis over the 2017-2022 strategic period.

The XRB's efforts to influence the international boards should be deliberate, coherent, constructive, and focused on topics of greatest importance to New Zealand. Accordingly, the XRB Board intends to enhance its influencing strategies based on two broad (and interconnected) approaches: relationships and participation:

- *Relationships:* The XRB intends to work further to build relationships with the international boards (and related organisations) at both board member and staff levels.
- *Participation:* The XRB will continue in its efforts to support the work of the international boards (and related organisations) over the 2017-2022 strategic period and ensuring that it is adding value to the work of the international boards. This will include involvement in activities promoted by the international boards, contributing to technical or regional groupings to contribute to the work of those boards, participating in the work of the boards (through, for example, assistance with projects).

Where appropriate, the XRB will also seek to directly influence the international boards. Maintaining good relationships with other standard setters and relevant groups will be important in achieving this and will therefore also be an important priority during the 2017-2022 strategic period. Initiatives to give effect to this (such as hosting conferences, and taking modest leadership roles) will be explored. In addition, the XRB Board will nominate and support suitably qualified individuals for appointment to the membership of key international boards, where this is appropriate.

Constituency Engagement

The XRB Board remains committed to its strategy of developing standards with, rather than to/for, the constituency.

The XRB Board considers that a great deal of innovative constituency engagement occurred over the first five years of the XRB's existence. The XRB Board considers that constituency engagement should continue to be a priority for the 2017-2022 strategic period and that the XRB should look to build on the engagement successes from the first five years to take constituency engagement "to the next level". The XRB plans to develop explicit strategies and mechanisms to achieve this over the 2017-2022 period.

The XRB has a statutory obligation to consult with constituents before issuing accounting or auditing & assurance standards. The XRB is fully committed to following appropriate due process and considers this an essential part of the standard setting process.

The XRB organises many seminars, webinars, podcasts and publishes articles and newsletters on a wide range of matters that are the subject of exposure drafts or discussion papers. The XRB Board also hold general discussions with key constituent groups about broader financial reporting matters.

The External Reporting Advisory Panel (XRAP), another vehicle for gathering the views of constituents, meets twice during each year and actively contributes ideas to XRB Board deliberations on various matters⁷.

Awareness Raising and Facilitation

The XRB put a significant amount of effort into communication during its first five years. By and large this appears to have been successful. The XRB Board considers that given the amount of change, and the complexity of reporting and assurance in the modern economy, the proper understanding, implementation and application of our standards across the constituency is likely to need better communication and engagement in the future. An important aspect of the XRB's awareness raising and facilitation is to ensure constituents fully understand the reasons for, benefits to be achieved and costs of any changes to standards frameworks, new standards or amendments to existing standards.

The XRB is currently upgrading its website to ensure that our standards are more accessible. New tools have been developed to assist constituents to locate the correct standards to apply. The XRB will be revising its communication strategy to include relevant social media and blogging.

The XRB Board's view is the XRB should be involved in awareness raising to help the constituency understand XRB standards. However, this should not extend to training on how to apply the standards, professional development training, or education of a general nature (such as financial literacy).

The XRB Board recognises that professional development training (e.g. on financial reporting for company directors) is important to achieving at least some of the outcomes of concern to the XRB. The XRB Board therefore considers it appropriate for the organisation to take a more active facilitation role to encourage relevant organisations to undertake such training activities.

The XRB Board also considers that the achievement of the Government's economic outcomes in the financial reporting area will require greater co-ordination of efforts across the sector. Such an approach is explicit in the reforms to the public sector management model given effect through recent amendments to the State Sector Act 1988 and the Public Finance Act 1989. Over the 2017-2022 strategic period, the XRB will

⁷ The XRAP consists of around 15 senior level persons who are individuals with strong networks that enrich their advice to XRB, or representatives of organisations, interested in the development of high quality accounting standards and auditing & assurance standards. Members are drawn from across the for-profit, public and not-for-profit sectors and between them reflect a variety of perspectives including user groups, preparers (both management and directors), financial analysts, investors, audit committees and auditors.

The objective of the XRAP is to provide a forum for the XRB Board, the NZASB and the NZAuASB to consult individuals and representatives of organisations affected by its work. The XRAP is responsible for providing advice to the three boards on strategic and tactical issues including, but not limited to:

- Issues relating to the external reporting environment in New Zealand;
- The New Zealand standard setting framework;
- Projects on the boards' agendas; and
- Practical application and implementation issues.

therefore work more actively with the Ministry of Business, Innovation and Employment, the Financial Markets Authority, the Reserve Bank and others to ensure the linkages between the work of relevant agencies (in both the accounting and auditing & assurance areas) are clearly identified and any gaps addressed.

Over the 2017-2022 strategic period, the XRB will also actively promote the awareness, understanding and implementation of EER among New Zealand constituents. This is to ensure New Zealand keeps up with emerging international trends and developments in reporting non-financial information to complement the disclosure of financial information. The XRB intends to play the role of a “shaper” and facilitator of thinking and debate in EER. This is consistent with the XRB’s strategy of engaging and working with the constituency. Keeping up with international developments in reporting is consistent with the XRB’s outcome goal of engendering confidence in financial (and non-financial) reporting by New Zealand entities, assisting entities to compete internationally and enhancing entities’ accountability to stakeholders. Current international wisdom is this initiative benefits from a framework approach rather than from a more formal set of standards. The XRB will also actively monitor the progress of international views together with domestic developments including regulatory bodies with an interest in this topic (i.e. NZX listing requirements).

3.4 Organisational Health and Capability

Overview

From an organisational health perspective, the XRB worked hard during its first three years to ensure that the XRB organisation moved to operating in a “steady-state” mode as soon as possible after its establishment. This involved establishing the organisation, developing the necessary capability, and ensuring that the organisation was fulfilling its statutory functions effectively and efficiently. A key aspect of this was establishing a cost-control, value for money culture and approach within the organisation.

The XRB’s strategic ownership priorities for the 2017-2022 period are to:

- Operate in a financially prudent manner including within the fiscal parameters established by appropriation;
- Maintain the level of capability needed to deliver the outputs required and the strategic priorities outlined in Part 2; and
- Maintain a high-performance culture commensurate with achieving the XRB’s outcome goals.

Financial Management

The XRB is very conscious of the Government’s fiscal constraints, the need to operate within its means, and to ensure value for money in all that the XRB does. The XRB’s financial management objective for the period of this Statement of Intent is to:

- Ensure that its expenditure is no greater than its funding, that being its annual appropriation plus any retained earnings;
- Continue to promote a value for money culture within the XRB Organisation, with a view to identifying on-going opportunities for efficiency gains.

Capability

The XRB's capability objective is to:

- Retain a near full complement of suitably qualified Board members and staff; and
- Maintain full operational capability in the Wellington and Auckland offices.

The XRB's capability is primarily dependent on its human capital, much of which requires a specialised skill set. The XRB intends to maintain the human capital that has been developed over recent years by retaining and developing staff, and by creating opportunities for the development of future Board members. Workplace policies (including good employer policies), remuneration policies, and methods of operation (such as constituency working groups) are all designed to contribute to this human capital maintenance approach. These policies will be maintained, and where appropriate enhanced, over the period of this Statement of Intent.

The XRB has only a small amount of physical capital (estimated at \$258,000 on 30 June 2016). This is mostly office furniture and computer equipment. The XRB's strategy is to maintain this physical capital through an on-going asset replacement and infrastructure improvement programme funded from depreciation. Technology is a key enabler of an efficient and effective organisation and we are in the process of reviewing the current state of information technology (including telephony and video / audio conferencing) at the XRB to ensure we are investing in best value for money IT solutions which will enhance longer term capabilities.

The XRB will also continue to operate appropriate risk management strategies. These include business continuity strategies and strategies to avoid the loss of key data and records.

High Performance Culture

From its establishment in 2011 the XRB has worked to establish a high performance, financial prudent culture within the XRB Organisation. The XRB considers this to be an area requiring on-going effort and therefore will continue to target this over the period of this Statement of Intent. As part of this the XRB will continue to:

- be vigilant in identifying opportunities for cost saving and ensuring value for money;
- promote its continuous improvement culture, and in so doing look at cost-effective ways to assess the extent of continuous improvement (such as the state sector Performance Improvement Framework (PIF) self-review methodology- XRB is committed to undertaking a self review PIF in 2017/18); and
- look for innovative ways of making XRB standards easily accessible to the constituency and general public, including communication through enhancement of the XRB website and through other technological opportunities.

Part 4: Other Matters

4.1 Assessing Performance

The XRB pays explicit and deliberate attention to ensuring that it is contributing to the three elements of the XRB Outcome Goal. However, measuring the change in outcome status, and the extent to which the XRB contributed to that change, is a non-precise task.

Many factors influence the achievement of the Government's Overarching Outcome Goal, the Linking Outcome and the XRB Outcome Goal during the year. Many of these are outside the control or influence of the XRB. For example, international competitiveness is influenced by a whole range of factors including regulatory settings, labour market pressures, and exchange rates, in addition to the effectiveness of the XRB standards. International competitiveness indices take account of these factors and it is challenging to determine objectively the extent of the XRB's contribution.

The links between XRB's Outputs, Outcome Goal and the Government's Overarching Outcome Goal are not always causal and/or direct. Outcome based measures alone would not provide meaningful information about XRB's performance for accountability purposes.

The XRB also considers the relationship between the Government's Overarching Outcome Goal, the Linking Outcome and the XRB Outcome Goal (see Figure 1) is relatively self-evident and clear, as is the nature of the XRB's contribution to these outcomes through the issuing of accounting and assurance standards.

Notwithstanding the non-precise nature of outcome based performance measurement, the XRB is motivated to positively influence the outcomes and significant effort is applied to achieving this – as outlined in the section above. Accordingly, the XRB does monitor likely outcome contribution through cost effective means, principally externally generated measures and studies. This includes monitoring the state of financial reporting through information available from such bodies as the Companies Office, the Financial Markets Authority (FMA), the Office of the Controller and Auditor-General (OAG) and Charities Services of the Department of Internal Affairs (DIA), as well as information in the public domain, such as the "Strength of Auditing and Reporting Standards" index in the Global Competitiveness Report produced by the World Economic Forum⁸. This monitoring is designed to allow the XRB to assess, in a general way, the extent to which the strategies adopted and the standards issued are consistent with and contribute to the XRB's Outcome Goal.

4.2 Process to be followed for Acquisitions

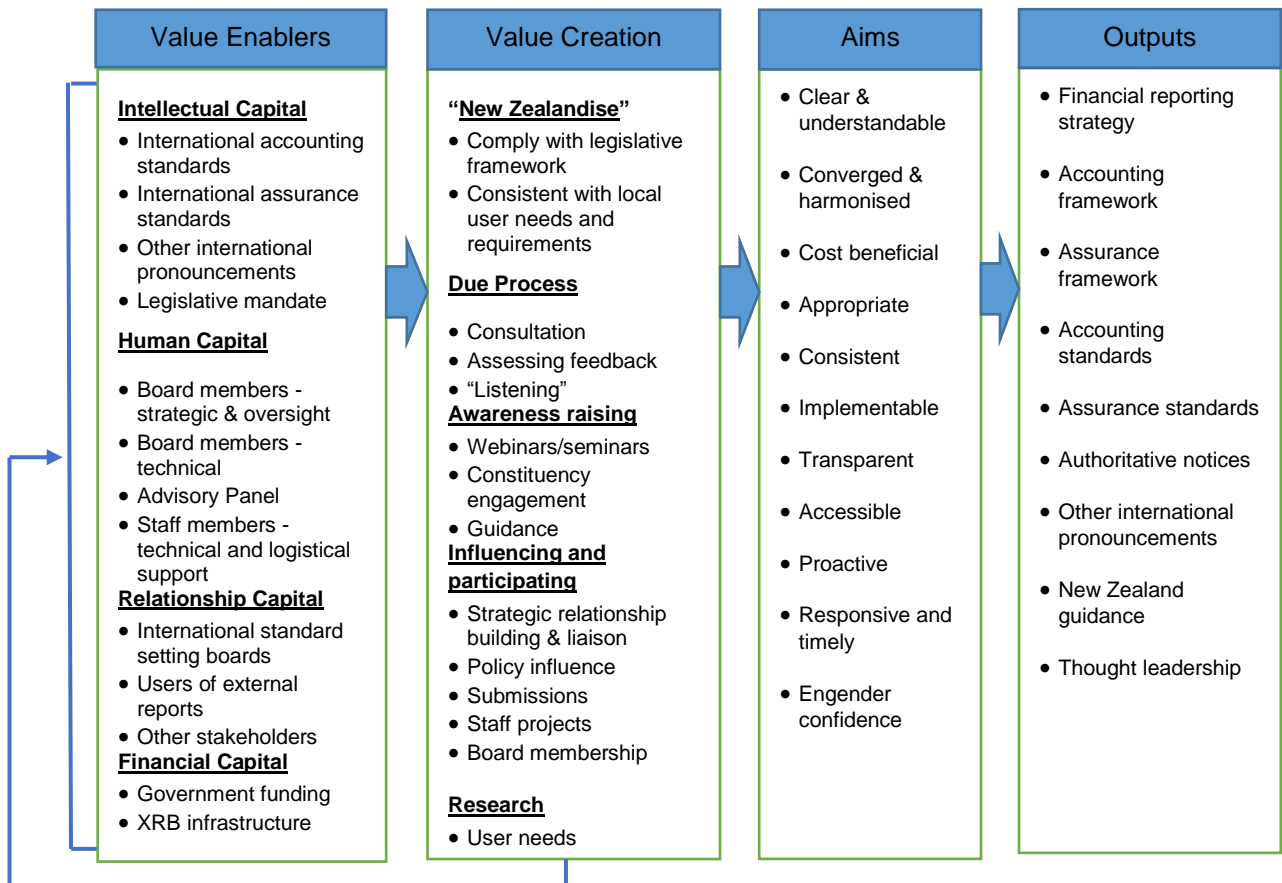
The XRB does not expect to acquire shares or interests in companies, trusts or partnerships or joint ventures during the five-year period. No process is therefore required to be specified in accordance with section 100 of the Crown Entities Act 2004.

⁸ In the 2015-16 edition New Zealand is ranked 3rd in the world with a score of 6.4 out of 7. Although the index is based on perception, the Board considers it a potentially useful indicator of the quality of its accounting and auditing standards and therefore a measure of outcome achievement. The index is available at:

<http://reports.weforum.org/global-competitiveness-report-2015-2016/economies/#economy=NZL>

Appendix 1: External Reporting Board -

Value Adding Model



Value enablers

- Resources and relationships used in our value creation process.

Value creation

- Processes utilised, together with the value enablers, to deliver outputs to our stakeholders; and
- Learnings from our processes become feedback into our value enablers.

Aims

- Objectives driving the delivery of our outputs.

Outputs

- Services created by our value adding model and contributing to our outcome goal.