



EXTERNAL REPORTING BOARD

Te Kāwai Ārahi Pūrongo Mōwaho

*"A User-Needs Framework for
New Zealand's Wellbeing"*

Strategic Plan

**For the five-year period
1 July 2018 to 30 June 2023**

8 August 2018

Strategic Plan 1 July 2018 to 30 June 2023

"A User-Needs Framework for New Zealand's Wellbeing"

Introduction

This document sets out the External Reporting Board's (XRB) Strategic Plan for the five-year period from 1 July 2018 to 30 June 2023¹. The XRB's strategies aim to contribute to building trust and confidence in the reporting by New Zealand organisations across all sectors.

In the period from 1 July 2018 to 30 June 2023, the XRB plans to further develop the standards frameworks (including accounting and auditing & assurance standards²) to ensure they continue to be fit-for-purpose for the future. The XRB will focus on developing the User-needs Framework to ensure it is *A User-needs Framework for New Zealand's Wellbeing* and that the XRB's standards frameworks (and standards) meet user-needs and continue to:

- engender confidence in New Zealand external reporting;
- assist New Zealand entities to compete; and
- enhance entities' accountability to New Zealand stakeholders,

thereby contributing to sustainable and inclusive economic goals and the wellbeing of New Zealanders.

Key focus areas for *A User-needs Framework for New Zealand's Wellbeing*

In the period from 1 July 2018 to 30 June 2023, the XRB's focus will be on ensuring its standards frameworks (and standards) meet user-needs and respond promptly to, and are resilient against, local and international external reporting developments and international disruptions in the standard setting structures.

The XRB expects changes and developments in external reporting resulting from the need for entities to report more widely about their strategies, business models, risks and impacts, not just on financial capital, but on other capitals, (as they relate, for example, to environmental, social, governance and other related matters). Entities are expected, within their "corporate" reports, to complement the reporting of their financial results with non-financial information to give a more comprehensive picture of their performance and impact. The XRB plans to take an active role in leading the development of this extended external reporting (EER) in New Zealand as it relates to users of "corporate" reports.

In addition, internationally, standard setting structures for auditing & assurance standard setting (including those for ethics) are under review, which may result in some fundamental changes. International accounting standards boards also face challenges in maintaining global acceptance of their standards. These are in addition to other disruptions like developments in artificial intelligence and the professional accounting market place. The XRB plans to actively monitor and respond to such disruptions and ensure that stakeholders are well-informed. The XRB plans to enhance its regional relationships as a contingency plan.

¹ The underlying foundations of the XRB's strategic plan are set out in detail in the XRB's [Strategic Plan 1 July 2014 to 30 June 2019](#) and in subsequent Strategic Plans.

² Auditing & assurance standards, including ethics standards.

In 2019-2020, the XRB will conduct a post-implementation review of its standards frameworks. Besides ensuring that the standards frameworks remain fit-for-purpose and meet user needs, the XRB will also review its policy of international convergence. It will consider the most effective way to invest its resources in respect of its international influencing strategies.

The XRB expects to remain effective, efficient, sustainable, resilient and adaptable as an organisation when faced with these reporting developments and disruptions.

This Strategic Plan, *A User-needs Framework for New Zealand’s Wellbeing*, follows the initial period where, on establishment, XRB focused on implementing the standards frameworks (and standards), particularly standards for the Public Benefit Entity (PBE) sector, a phase the XRB refers to as *Giving Life to the User-needs Framework*.

Since the XRB organisation’s establishment in 2011, it has been Giving Life to the User-needs Framework and has:

- Developed and issued the Accounting Standards Framework, Auditing & Assurance Standards Framework and associated pronouncements;
- Completed and published user-needs research reports on various topics;
- Developed and implemented strategies for influencing international boards; and
- Developed and implemented strategies for active and meaningful engagement with the constituency.

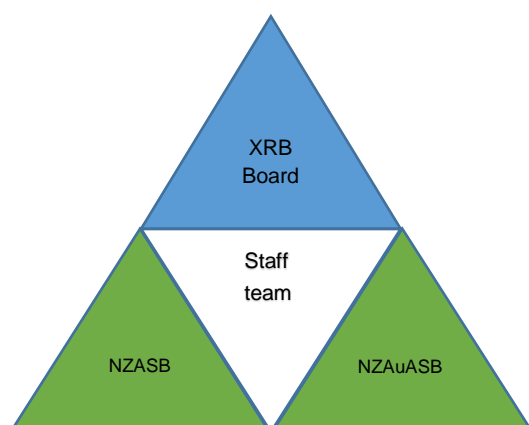
Overview of the XRB

The 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.

XRB’s statutory functions under section 12 of the Financial Reporting Act 2013 are to:

- Develop and implement a strategy for accounting standards and auditing & assurance standards, and tiers of financial reporting;
- Prepare and issue accounting standards;
- Prepare and issue auditing & assurance standards; and
- Liaise with national and international organisations that correspond with, or are similar to, the XRB.

The XRB’s organisational structure



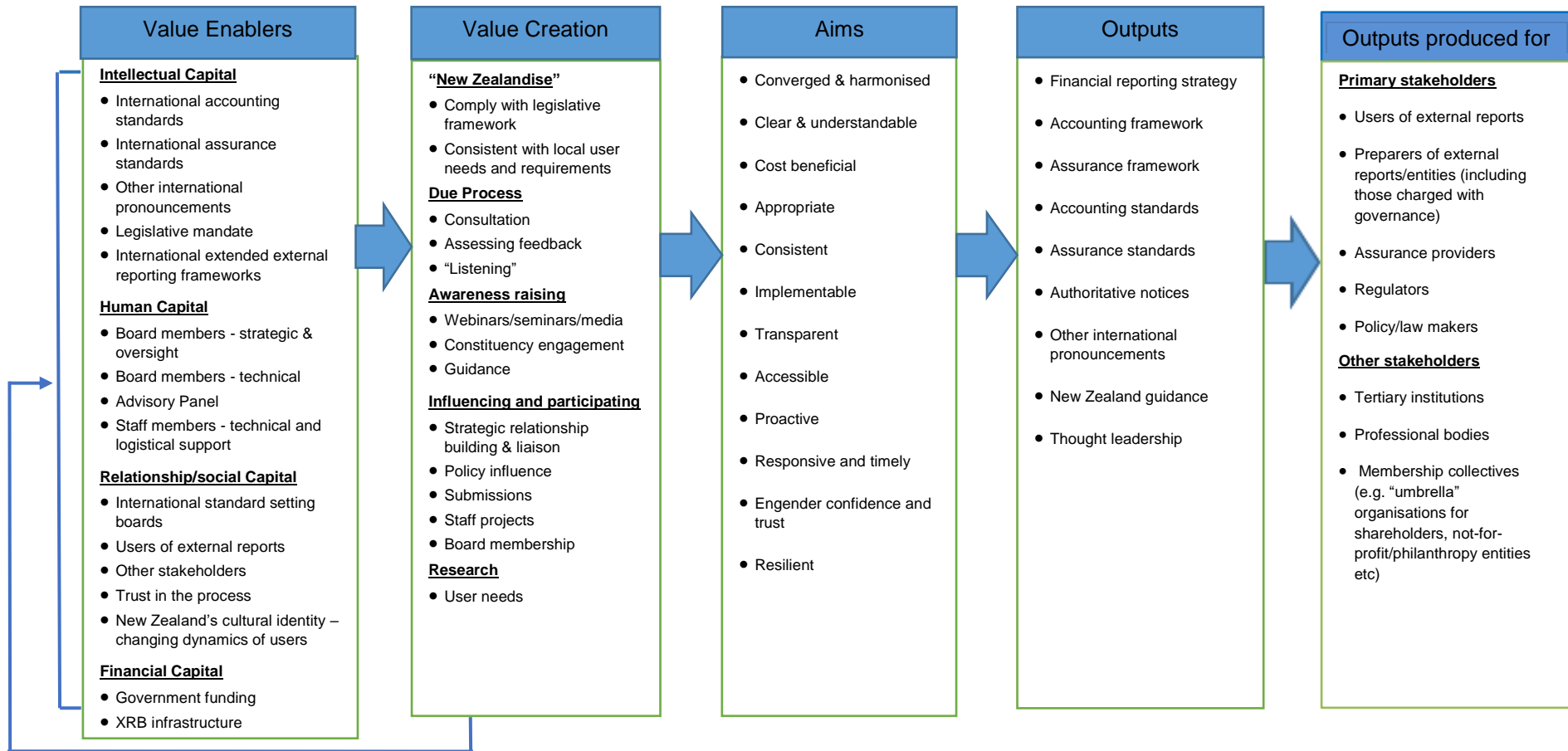
XRB Board responsible for:
 General governance of the organisation
 Overall financial reporting strategy
 Standards strategy
 Oversight of the standard setting boards

NZASB – New Zealand Accounting Standards Board:
 Committee (sub-Board) of the XRB Board, responsible for accounting standard setting

NZAuASB – New Zealand Auditing & Assurance Standards Board:
 Committee (sub-Board) of the XRB Board, responsible for auditing & assurance standard setting

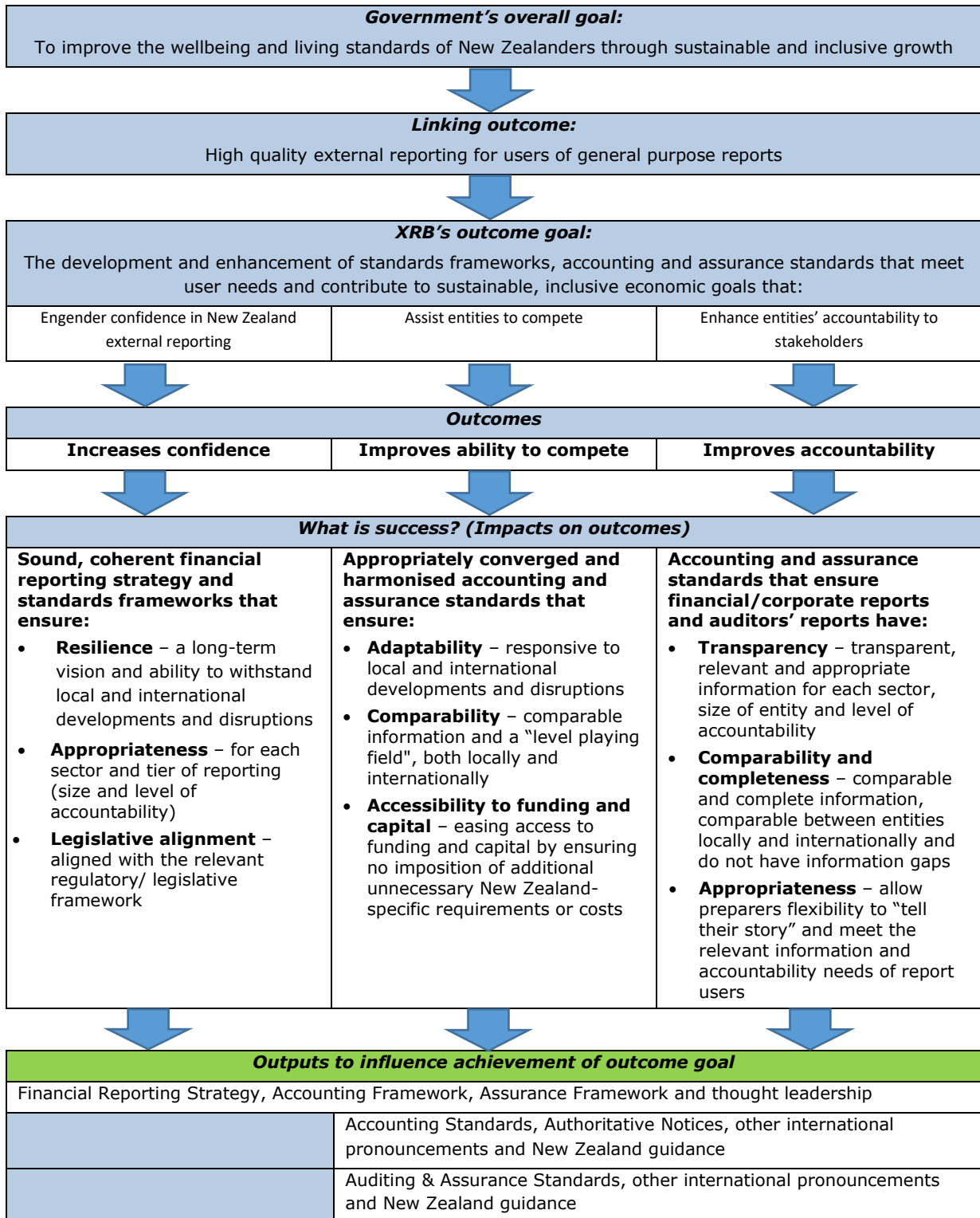
Staff team:
 Provides technical and logistical support to the three Boards

Our Value Adding Model



Value enablers	<ul style="list-style-type: none"> Resources and relationships used in our value creation process.
Value creation	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Objectives driving the delivery of our outputs.
Outputs	<ul style="list-style-type: none"> Services created by our value adding model and contributing to our outcome goal.

XRB's Outcome, Impact and Output Performance Framework



Strategic Priorities – 2018-2023

The XRB's outcome goal in the period 2018-2023 will be achieved through several specific strategies, as set out below:

Overarching Strategy – Broad strategic approach	
<ul style="list-style-type: none"> • Maintaining the existing financial reporting strategy including the two-sector, multi-standards, multi-tier Accounting Standards Framework • Continuing, as appropriate, the convergence and harmonisation approach for both accounting and auditing & assurance standards • Responding to the rapidly changing international environment and external reporting landscape 	
Specific Strategy	To be achieved by....
Specific Strategy 1: Maintain and Enhance Existing Standards	<p>Enduring policy of sector-specific standards and Tier Structure.</p> <p>Maintaining a financial reporting strategy and standards frameworks that are:</p> <ul style="list-style-type: none"> • Reliable and require infrequent changes; • Consistent with legislative frameworks; and • Responsive to legislative changes and stakeholder feedback. <p>Appropriate policy of international convergence/harmonisation.</p> <p>Maintaining existing accounting and auditing & assurance standards (and associated pronouncements) so that:</p> <ul style="list-style-type: none"> • They are of high quality; • They remain consistent with international standards, as appropriate; and • There is local relevance and acceptance. <p>Enhancing existing accounting and auditing & assurance standards (and associated pronouncements) by:</p> <ul style="list-style-type: none"> • Identifying and addressing any New Zealand-specific deficiencies or gaps; and • Expanding, where necessary, the XRB's legal mandate in relation to the issue of standards, for example, in relation to pronouncements on EER. <p>Ensuring transparent due process and consultation.</p> <p>Reviewing the existing "standard taker" policy, understanding the ramifications of change and discussing with policy makers.</p>
Specific Strategy 2: Undertake User-needs Research	<p>Undertaking organised research into the financial and non-financial information needs of users of our standards:</p> <ul style="list-style-type: none"> • as a basis for enhancing the financial reporting framework or specific standards; • to inform efforts to influence the work of the international standard setting boards; • to respond to developments in wider corporate reporting; and • to provide thought leadership. <p>Undertaking a post-implementation review of the standards frameworks in the period 2019-2020, including the costs and benefits aspects of the standards frameworks.</p> <p>Investigating the hosting of "labs" or "think tanks" to bring fresh thinking for consideration.</p>

<p>Specific Strategy 3: Influence the International Boards</p>	<p>Seeking to influence the work of the international boards during appropriate stages of standards development to ensure high quality global standards that are applicable in New Zealand:</p> <ul style="list-style-type: none"> • Using “influencing strategies” specific to each international board; and • By participating, building relationships, and, where appropriate, being represented on international boards. <p>Monitoring and responding to major disruptions and developments in the international standard setting structures and environment, particularly in the audit market, and ensuring that stakeholders are well informed.</p> <p>Maintaining and enhancing regional relationships with like-minded countries, as a contingency plan in the event of a return to national standard setting or a move away from principles-based standards.</p> <p>Re-considering the most effective investment of resources in respect of our influencing strategies, whether this be at the commencement of the standard setting process, the end of the standard setting process or working more closely with regional groups.</p>
<p>Specific Strategy 4: Enhance Constituency Engagement and Support</p>	<p>Developing standards in a collaborative manner with the constituency by:</p> <ul style="list-style-type: none"> • Implementing engagement strategies to enhance the depth and breadth of constituency engagement; and • Increasing awareness raising activities, including through a communication strategy for social media. <p>Promoting the awareness, understanding and implementation of EER among New Zealand constituents by:</p> <ul style="list-style-type: none"> • adopting a proactive leadership approach to EER, giving consideration to investor versus broader stakeholder requirements; • considering and implementing a strategy for EER in response to user demands; and • adopting a collaborative approach with other key stakeholders to EER. <p>Working with other agencies, including other standard-setters, to ensure external reporting and assurance gaps are identified and addressed.</p> <p>Providing a thought leadership role involving bold thinking, being proactive and facilitating meetings with key stakeholders to make a difference.</p> <p>Encouraging, facilitating and supporting other relevant organisations to provide appropriate training and professional development activities relating to external reporting.</p>
<p>Specific Strategy 5: Maintain Capability within a Financially Prudent Organisation</p>	<p>Maintaining a high-performance culture to achieve the XRB’s outcome goals in a rapidly changing environment.</p> <p>Operating in a financially prudent manner.</p> <p>Maintaining the level of capability needed to deliver the outputs.</p> <p>Reviewing at least annually the External Reporting Advisory Panel (XRAP) membership to ensure an appropriate representation of all stakeholders.</p> <p>Strengthening, widening and improving the relationship matrix.</p>

	<p>Ensuring prompt commencement of the preparations for the post-implementation review of the standards framework in 2019/2020.</p> <p>Considering use of a digital specialist or specialised advisory group to provide timely and expert advice on technological challenges to XRB's work.</p> <p>Strengthening the risk register for wider issues affecting the XRB.</p>
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Strategic challenges/risks and mitigating actions

Risk management is an integral part of the XRB's strategic planning process. Management, in consultation with the XRB Board, identifies and assesses the risks that may cause the XRB not to achieve its outcomes, and develops and implements actions to mitigate those risks.

Key risks	
<i>Strategic risks</i>	<i>Operational risks with strategic implications</i>
<ul style="list-style-type: none"> • International standard setters cease to exist, produce standards too narrowly focused for New Zealand purposes or failure of the global standard setting initiative; • Standards not acceptable to constituency/ stakeholders and therefore not applied; • Standards do not result in high quality user-focused, multi-sectoral external reporting; and • Loss of trust/reputation/credibility of the XRB as a standard setter. 	<ul style="list-style-type: none"> • Inability to attract/retain diverse and highly qualified Board members (loss of governance/technical resources); • Inability to attract/retain diverse and highly qualified staff (loss of management/ technical resources); and • Insufficient funding to carry out legislative mandate, or support changes in response to international changes.
Mitigating Actions	
<i>Strategic</i>	<i>Operational</i>
<ul style="list-style-type: none"> • Active involvement in key international processes in the review of standard-setting structures; • Involvement at appropriate stages in key projects with international boards; • Formation and maintenance of regional alliances; • Constituency/stakeholder outreach: <ul style="list-style-type: none"> ○ Focused on New Zealand-specific issues; ○ Working collaboratively with key stakeholders to fill gaps and voids in external reporting; • Relevant standards frameworks; • Transparent due process; • User-acceptance tested by research and post-implementation review; and • Active environmental scanning and appropriate timely actions. 	<ul style="list-style-type: none"> • Effective ministerial and governing ministry relationships; • "No surprises" strategy; • Effective brand management; • Effective governance processes; • Prudential management; • Good employer policies; and • Maintain a modern infrastructure to ensure maximum efficiency.