



EXTERNAL REPORTING BOARD

Te Kāwai Ārahi Pūrongo Mōwaho

*"A User-Needs Framework
Contributing to New Zealand's
Sustainable and Inclusive Economic
Goals"*

Strategic Plan

**For the five-year period
1 July 2019 to 30 June 2024**

8 August 2019

Strategic Plan 1 July 2019 to 30 June 2024

"A User-Needs Framework Contributing to New Zealand's Sustainable and Inclusive Economic Goals"

Introduction

This document sets out the External Reporting Board's (XRB) Strategic Plan for the five-year period from 1 July 2019 to 30 June 2024.¹ 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 2019 to 30 June 2024, the XRB plans to further develop the standards frameworks (including accounting and auditing & assurance standards)² to ensure they continue to be fit-for-purpose for the future. The XRB will focus on *A User-Needs Framework Contributing to New Zealand's Sustainable and Inclusive Economic Goals* and the XRB's standards frameworks (and standards) meeting user-needs and continuing 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 of New Zealanders.

Key focus areas for *A User-Needs Framework Contributing to New Zealand's Sustainable and Inclusive Economic Goals*

In the period from 1 July 2019 to 30 June 2024, 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 any significant 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 continue 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, some of which may require changes at XRB. Also, there is considerable international and domestic activity examining trust and confidence in financial reporting, including audit quality, the independence of audit firms and competition in the audit market – changes will ensue. International accounting standards boards also face challenges in maintaining global acceptance of their

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.

standards. These are in addition to other disruptions like developments in artificial intelligence and the professional accounting market place. The XRB plans to continue to actively monitor and respond to such disruptions and ensure that stakeholders are well-informed. The XRB plans to enhance its regional (within Asia-Pacific in particular) relationships as a contingency plan.

During 2019-2020, the XRB is conducting a targeted review of its accounting standards framework. Besides ensuring that the accounting standards framework remains fit-for-purpose and meets 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 and domestic influencing strategies.

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

Since the XRB organisation's establishment in 2011, it has been Giving Life to the User-Needs Framework, particularly standards for the Public Benefit Entity (PBE) sector, 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.

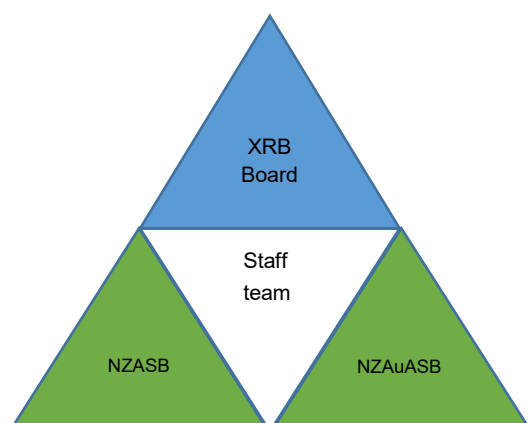
Overview of the XRB

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



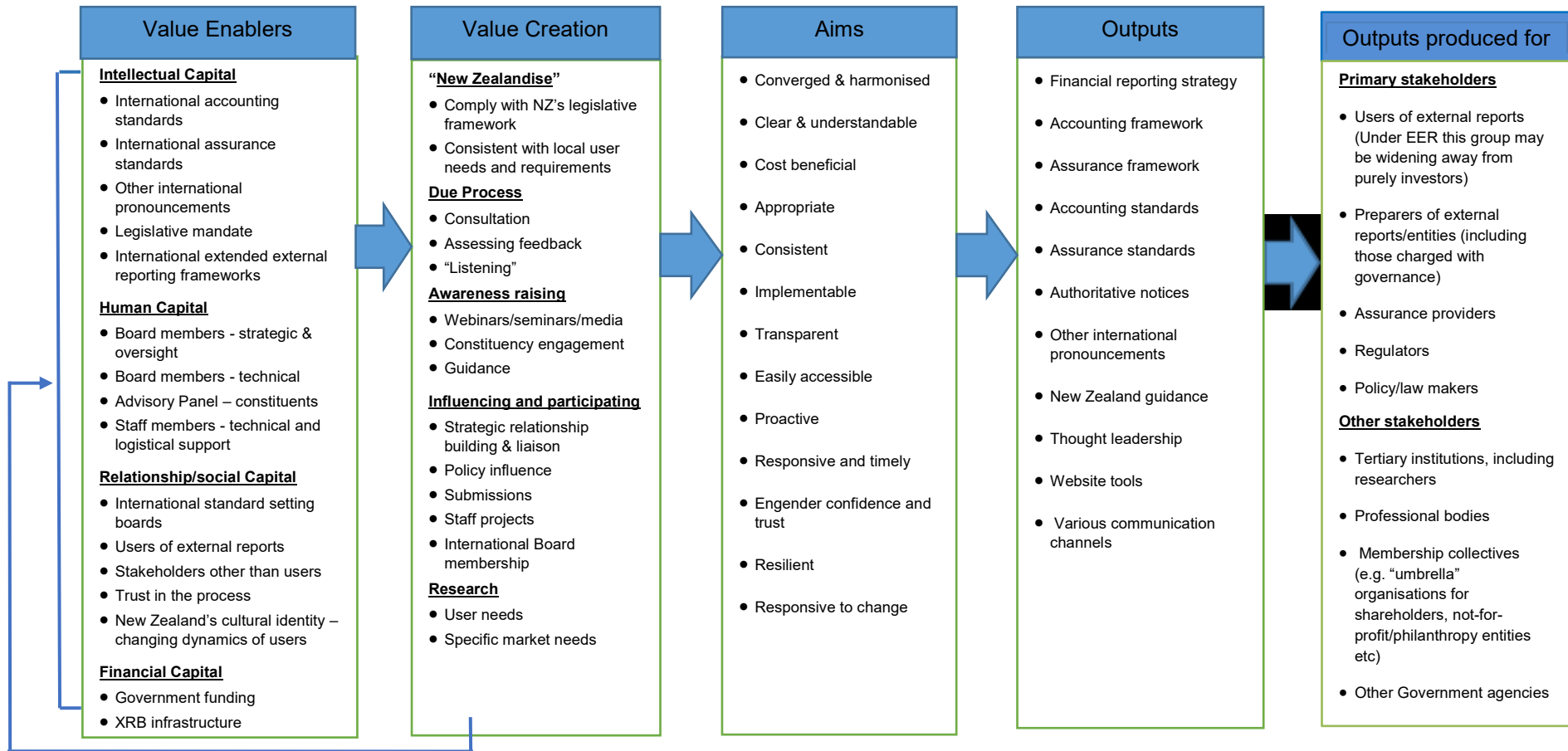
XRB Board responsible for:
 General governance of the organisation
 Overall financial reporting strategy
 Standards strategy
 Oversight of the standard setting boards

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

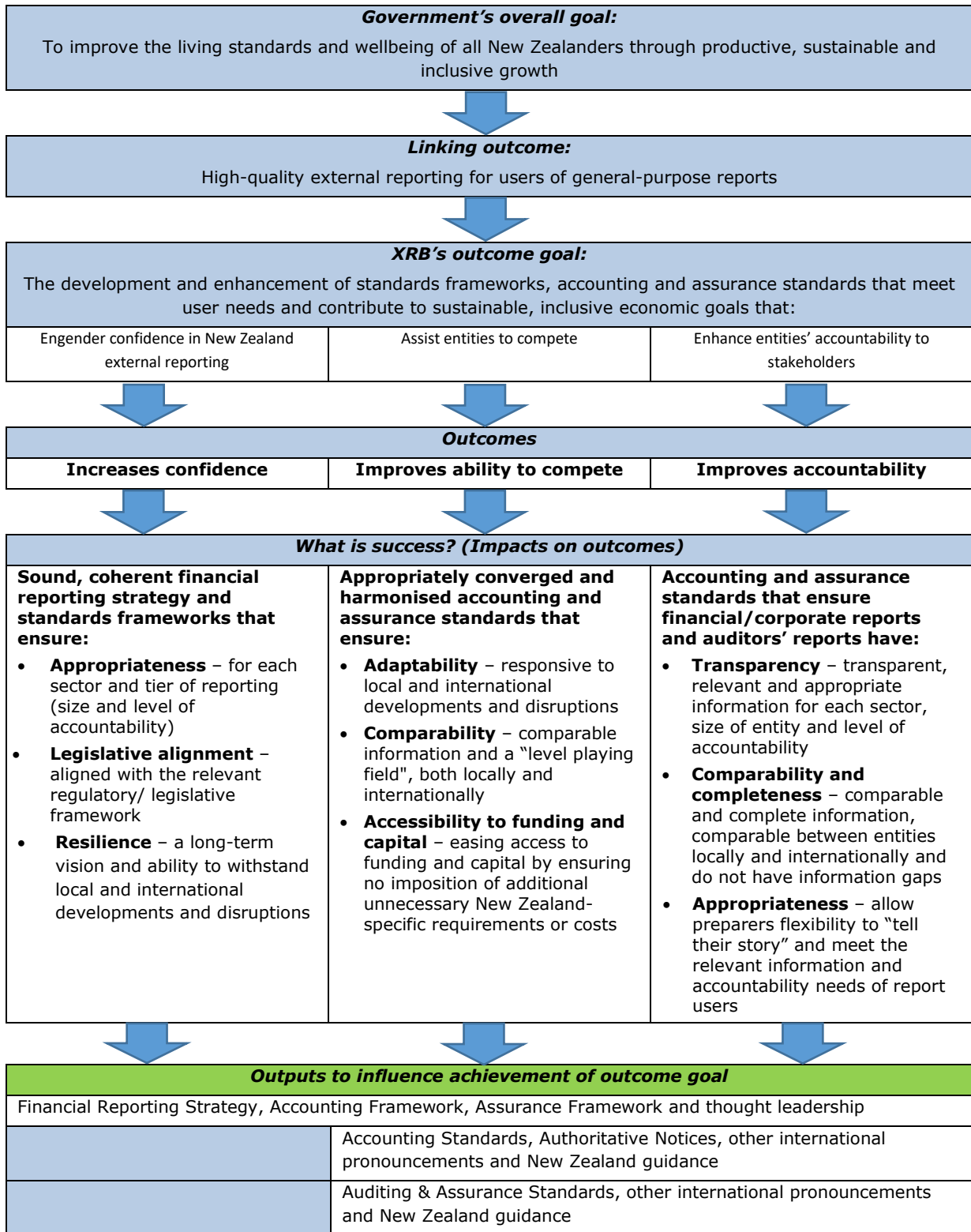
Staff team:
 Provides technical and logistical support to the three Boards

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 – 2019-2024

The XRB’s outcome goal in the period 2019-2024 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 changing international environment and external reporting landscape 	
Specific Strategy	To be achieved by...
<p>Specific Strategy 1:</p> <p>Standards are Fit-for-Purpose</p>	<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 NZ’s legislative frameworks; and • Responsive to legislative changes and stakeholder input (including the Targeted Review of Accounting Standards Framework). <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. <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>
<p>Specific Strategy 2:</p> <p>Standards are Evidence-Informed as to User Needs</p>	<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 corporate reporting; and • To provide thought leadership. <p>Undertaking a Targeted Review of the Accounting Standards Framework during the period 2019-2020.</p>

<p>Specific Strategy 3:</p> <p>High-Quality Global Standards Applicable in New Zealand</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 both applicable in New Zealand and in the public interest:</p> <ul style="list-style-type: none"> • Using targeted “influencing strategies” specific to each international board; and • By participating, building relationships, and, where appropriate, being represented on international boards. <p>Anticipating, 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. The XRB remains alert to the need for any resultant changes in strategies and/or actions.</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. This activity needs to be sustainable and in the public interest in a constrained resource environment. A prioritisation exercise may be needed and domestic influencing re-considered.</p>
<p>Specific Strategy 4:</p> <p>Standards Developed Collaboratively with Constituency</p>	<p>Developing standards in a collaborative manner with the constituency by:</p> <ul style="list-style-type: none"> • Implementing new engagement strategies (perhaps “labs” or “think tanks”) to enhance the depth and breadth of constituency engagement (including all participants in the financial reporting process); and • Increasing awareness raising activities across all participants of the financial reporting process, throughout the life-cycle of developing standards, including detailing “why the change”. <p>Promoting the awareness, understanding and implementation of EER among New Zealand constituents by:</p> <ul style="list-style-type: none"> • Maintaining a proactive approach to EER, considering investor versus broader stakeholder requirements; • Continuing to respond to user demands for EER; and • Increasing the collaborative approach with other key stakeholders to EER. <p>Working with other agencies, including other standard setters, to ensure any external reporting and assurance gaps are identified, understood, researched if necessary and addressed.</p> <p>The XRB and the technical boards working together to create the power of “one voice” and the full utilisation of our “levers” in the constituent’s awareness of the legislative nature of the standards ensuring consistent, timely and effective implementation.</p> <p>Providing a thought leadership role involving bold thinking, being proactive and facilitating meetings with key stakeholders to make a difference.</p>

	Encouraging, facilitating and supporting other relevant organisations to provide appropriate training and professional development activities relating to external reporting.
Specific Strategy 5: Capable, High-Performing and Financially Prudent Organisation	Maintaining a high-performance culture to achieve the XRB's outcome goals in a rapidly changing environment. Operating in a financially prudent manner. Maintaining the level of capability (both Board and staff) needed to deliver the outputs. Strengthening, widening and improving the relationship matrix. Seek specialist digital capability to provide timely and expert advice on technological improvements to XRB's output.

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; • Loss of trust in financial reporting and the systems to which we are part thereof; • Standards do not result in high-quality, user-focussed, 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); • Insufficient funding to carry out legislative mandate, or support changes in response to international changes; and • Failure of operational infrastructure.
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 and the trust in financial reporting; • 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 stakeholders (including other government agencies) to fill gaps and voids in external reporting; • Relevant standards frameworks; 	<ul style="list-style-type: none"> • Effective ministerial and governing ministry relationships; • "No surprises" strategy; • Effective brand management, including awareness raising of our role and work output; • Effective governance processes; • Prudential management; • Good employer policies; • Maintain a modern infrastructure to ensure maximum efficiency; and • Maintain a continuous improvement strategy.

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| <ul style="list-style-type: none">• Transparent due process;• User-acceptance tested by research and post-implementation reviews;• Active environmental scanning and appropriate timely actions; and• Early planning and discussion if structural amendments are needed to respond to international standard-setting changes. | |
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