



MP for Mana

Minister of Broadcasting, Communications
and Digital Media

Minister for Government Digital Services

Minister of Commerce and Consumer Affairs

Associate Minister of Housing (Public Housing)

03 MAR 2020

Michele Embling
Chair
External Reporting Board
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Dear Michele

ANNUAL LETTER OF EXPECTATIONS FOR 2020/21

I am writing to convey my portfolio priorities and your role in achieving these priorities, along with my strategic and performance expectations for the External Reporting Board (XRB) in relation to the 2020/21 financial year.

I would like to start by congratulating you on your appointment to the Chair of the XRB, I commend the work you have already undertaken and look forward to working with you. The XRB has undergone some significant changes recently with the appointment of your new Chief Executive, April Mackenzie, who brings a wealth of international and local experience to the role.

The goal of this government's economic strategy is to improve the well-being and living standards of New Zealanders through sustainable and inclusive growth. This means moving beyond narrow economic indicators and measures of success, and instead puts the well-being of our people and the environment at the centre.

Commerce and Consumer Affairs priorities and what this means for the XRB

This Government's priorities extend beyond agency boundaries – many will involve you playing an effective role within an integrated and coherent system. I expect you to focus on working together with the range of agencies and parties to achieve these priorities. At the heart of this Government's economic strategy is the idea of a resilient, adaptable, productive and inclusive economy. The XRB and the financial reporting regime make an important contribution to this, by informing the decision-making of financial report users, and building trust and confidence in the financial reporting of corporate, public sector and not-for-profit organisations. This in turn helps achieve effective public accountability and good corporate governance.

The following paragraphs set out my specific expectations for the XRB.

Specific expectations for the XRB

The appointment of your new Chief Executive, April Mackenzie, provides a great opportunity for the XRB to consider the organisation's vision and direction going forward, and to reflect on what success looks like. I want to commend the XRB on your achievements over the last year including approval of the 2019 – 2024 Strategic plan, infrastructure renewal, continued work on Extended External Reporting, the issuing of a Targeted Review of the Accounting Standards Framework, strong engagement with key international organisations and continuing to deliver high quality services and standards. The Board continues to have a strong record in delivering its objectives while maintaining high standards of trust and confidence from stakeholders.

During 2020/21, my specific expectations are that the XRB:

- continue to harmonise and issue accounting and auditing standards which are informed by international community and are applied to function effectively in the New Zealand context
- continue to create global linkages, seek influence and provide thought leadership on the development of standards by international standards boards. This includes fostering a strong relationship and collaborate closely with Australian Boards, particularly with Australian technical boards
- continue work on Extended External Reporting (EER) including climate-related and other material risks that have economic, environmental, social and cultural impacts
- continue to monitor trends within the audit profession and the implementation of reporting of key audit matters in New Zealand
- continue to monitor the extent to which accounting and auditing standards are meeting user needs and actively seek feedback from users
- continue to foster strong relationships and meaningful engagement with stakeholders, both in the development of standards and in raising awareness and understanding of XRB standards.
- continue work on the review of the Accounting Standards Framework
- consider the direct and indirect costs of the XRB's actions on businesses, government entities and the wider economy.

General expectations and good governance

As part of your role in governing a high-performing entity, I expect you to:

- maintain an effective board
- be the primary monitor of the XRB's performance and maintain effective relationships with my advisors in the Ministry of Business, Innovation and Employment (**MBIE**)
- operate a 'no surprises' policy.

These expectations are set out in more detail in the Annex to this letter.

Strategy and performance information

All Crown entities must prepare an annual Statement of Performance Expectations (**SPE**) and have an approved Statement of Intent (**SoI**). The annual SPE should provide a clear performance framework and support excellent reporting to Parliament and the public on results.

The XRB's current SOI (covering the period July 2017- June 2022) took effect from 1 July 2017. As these must be prepared once in every three year period, the XRB is required to prepare an SOI this year, to take effect from 1 July 2020.

In developing this, I ask that the XRB think about its operating environment and strategic vision for the next five years. I look forward to seeing a draft of the new SOI and SPE by **30 April 2020**.

Response

Your advice by **15 March 2019** on how you propose to respond to the expectations set out in this letter would be appreciated. I would be happy to consider approaches that best achieve our collective aims and work well for the XRB. In the first instance, please discuss your proposed response with MBIE.

I look forward to continuing our excellent working relationship over the coming year.

Yours sincerely



Hon Kris Faafoi

Minister of Commerce and Consumer Affairs

Copy to: April Mackenzie
Chief Executive, XRB

James Hartley
General Manager, Commerce, Consumers and Communications, MBIE

Annex: General expectations and good governance

Effective board

Ensuring the XRB is, and remains, high-performing is essential, and an effective board is a key component of this. The XRB has in the 2018/2019 previous financial year, used tools such as the Performance Improvement Framework to self-assess and improve their performance as a governing body. I expect you to advise me of the progress of your actions, as well as the steps the board is taking to respond to the findings of your self-review. MBIE can provide support for the board in undertaking this work.

Your input into succession planning for the board is also sought as and when member's terms expire. I expect you to provide MBIE with your view of the competency mix you need to work well as a board, along with your thoughts on upcoming appointments and any candidate attributes to target.

Effective monitoring of XRB performance by the board and relationship with MBIE

In addition to setting and driving a strategy that delivers on government priorities, your board is the most important monitor of XRB performance. I expect the board to provide me with high-quality information and analysis on entity performance against plan, implications for future performance, and risks and opportunities facing the entity.

I also expect you to continue the constructive working relationship you have developed with your monitor at MBIE.

No surprises

The Government has a 'no surprises' policy. No surprises means that the Government expects a board to:

- be aware of any possible implications of their decisions and actions for wider government policy issues
- advise the responsible Minister of issues that may be discussed in the public arena or that may require a ministerial response, preferably ahead of time or otherwise as soon as possible, and
- inform the Minister in advance of any major strategic initiatives.

I also ask you to avoid 'pre-judging' my potential responses to risks and opportunities. I expect to hear about emerging issues and what major actions the board is considering. My reactions will be based on a range of factors, including the benefits of new initiatives and of taking different approaches to achieve our goals.