



11 April 2024

Michele Embling  
Chair  
External Reporting Board  
Level 6/154 Featherston Street  
Wellington 6011  
Email: [emblingmj@gmail.com](mailto:emblingmj@gmail.com)

Dear Michele

## **ANNUAL LETTER OF EXPECTATIONS FOR 2024/25**

I am writing to convey my strategic and performance expectations for the External Reporting Board (XRB) in relation to the 2024/25 financial year. You can also expect to receive a new enduring letter of expectations from the Minister of Finance/Minister for the Public Service in due course.

### **Contributing to Government priorities**

The National/ ACT/ New Zealand First Coalition Government (the Government) has agreed a policy programme of work over the next three years which will contribute to the Government's overarching aim to improve outcomes for all New Zealanders, improve productivity and grow the economy.

We are focussed on addressing the high cost of living. We will restore discipline to Government spending by ensuring that public money is spent appropriately and will reduce core Crown expenditure as a proportion of the overall economy. We are also focussed on building for growth and enabling private enterprise. We will make regulatory change that creates the conditions for investment and improve our regulatory settings to encourage competition and attract investment.

### **Specific expectations for the XRB**

During 2024/25, my specific expectations are that the XRB will:

- continue to issue accounting, auditing and assurance, and climate standards (and associated material), which are informed by the international community and are applied to function effectively in the New Zealand context



- For each new proposed standard, consider the value of those standards and the implications of their benefits and costs
- continue to monitor international adoption of climate standards and feedback on the New Zealand standards prior to your planned 2025 post-implementation review
- in relation to the production of climate standards and the need for New Zealand to transition to a low emissions economy, take a pragmatic approach bearing in mind the needs of investors and users, the impact on businesses and whether the standards are cost-effective
- continue to maintain global linkages, seek influence and provide thought leadership on the development of standards by international standards boards and their governance and oversight bodies. This includes continuing to maintain a strong relationship and collaborating closely with Australian standards setters
- continue to monitor trends within the audit profession and issue professional and ethical standards
- 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
- consider the direct and indirect costs of the XRB's actions on businesses, not-for-profit and government entities and the wider economy
- issue non-binding guidance that relates to non-financial reporting, as appropriate
- continue to ensure that the XRB has robust cybersecurity systems in place.

## **General expectations and good governance**

My general expectations are that the XRB:

- maintains a strong organisational capability with a focus on delivery
- demonstrates strict fiscal management and value for money.

Further information regarding governance expectations is set out in the Annex to this letter.



## **Preparation of accountability documents and performance measures**

As you will be aware, the Crown Entities Act 2004 mandates the requirements for the accountability documents of Crown entities. The XRB's 2022-2027 Statement of Intent sets out the XRB's strategic intentions and its purpose.

Would you please arrange for the XRB to prepare a draft Statement of Performance Expectations and provide this by 1 May 2024 for my consideration. I look forward to being consulted in good time on this key document.

In line with the Government's expectation of demonstrating accountability for public money, I expect that you will include sufficient performance measures in your statutory accountability documents to demonstrate, and enable measurement of, the outcomes that will be achieved across all the XRB's functions with the funding the XRB receives.

## **Response**

Your advice by 24 April 2024 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 working with you over the coming year.

Yours sincerely

A handwritten signature in black ink that reads 'A. Bayly'.

Hon Andrew Bayly

## **Minister of Commerce and Consumer Affairs**

Copy to: April Mackenzie  
Chief Executive, XRB

Andrew Hume  
General Manager, Small Business, Commerce and Consumer Policy, MBIE



## **Annex: Good governance**

### *Effective board*

Ensuring the XRB is, and remains, effective and high-performing is essential. To assist with this, I expect the Board to periodically employ robust and effective self-review processes.

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. I also expect you to assist in building capacity and diversity in public sector governance, for example, by mentoring emerging talent and including emerging talent in board activities.

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

In addition to setting and driving a strategy that delivers on the Government's priorities, your Board is the most important monitor of XRB performance. I expect the Board to provide me with high-quality information and analysis (including through regular reporting to my officials at MBIE and in meetings with me) on the XRB's performance against its strategic and operational plans, implications for future performance, and risks and opportunities facing the XRB and how it is responding to them.

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

### *No surprises*

The Government operates 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.