

Te Kāwai Ārahi Pūrongo Mōwaho

"Giving Life to the User-Needs Framework"

Strategic Plan
Summary

For the five year period

1 July 2016 to 30 June 2021

August 2016

Strategic Plan 1 July 2016 to 30 June 2021¹

"Giving Life to the User-Needs Framework"

Introduction

This document summarises the External Reporting Board's (XRB) Strategic Plan for the five year period from 1 July 2016 to 30 June 2021. We call this period "Giving Life to the User-Needs Framework". It builds on the strategic actions taken by the XRB in its first five years of establishment (between 1 July 2011 and 30 June 2016).

First five years:

- · XRB organisation established;
- Accounting Standards Framework, Auditing & Assurance Standards Framework and associated standards developed and issued;
- User-needs research commenced;
- · Strategies for influencing international boards developed and implemented; and
- Strategies for active and meaningful engagement with the constituency developed and implemented.

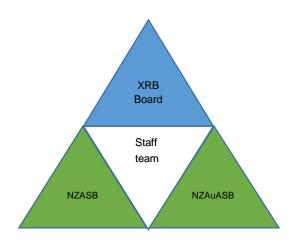
Overview of the XRB

The XRB is an Independent Crown Entity established under the Financial Reporting Act 1993 with continued existence under the Financial Reporting Act 2013, and subject to the Crown Entities Act 2004.

XRB's statutory functions under section 12 of the Financial Reporting Act 2013:

- 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
- Liaise with international counterparts

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

¹ The full version of the XRB's Strategic Plan 1 July 2016 to 30 June 2021 can be accessed here.

Our Value Adding Model

Value Enablers

Intellectual Capital

- International accounting standards
- International assurance standards
- Other international pronouncements
- Legislative mandate

Human Capital

- Board members strategic & oversight
- Board members technical
- Advisory Panel
- Support staff members technical and logistical

Relationship Capital

- International standard setting Boards
- Users of external reports
- Other stakeholders

Financial Capital

- Government funding
- XRB infrastructure

Value Creation

"New Zealandise"

- Comply with legislative framework
- Consistent with local user needs and requirements

Due Process

- Consultation
- Assessing feedback
- "Listening"

Awareness raising

- Constituency engagement
- Webinars/seminars
- Guidance

Influencing and participating

- Strategic relationship building & liaison
- Policy influence
- Submissions
- · Staff projects
- Board membership

Research

User needs

Aims

- Clear & understandable
- Converged & harmonised
- Cost beneficial
- Appropriate
- Consistent
- Implementable
- Transparent
- Accessible
- Proactive
- Responsive and timely
- Engender confidence

Outputs

- Financial reporting strategy
- Accounting framework
- Assurance framework
- Accounting standards
- Assurance standards
- Authoritative notices
- Other international pronouncements
- New Zealand guidance
- Thought leadership

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 required by our stakeholders, including as required by law, and contributing to our outcome goal.

XRB's Outcome, Impact and Output Performance Framework

Government's overarching outcome goal: Building a more productive and competitive economy Linking outcome: High quality financial reporting XRB's outcome goal: The establishment of accounting and assurance standards that: Engender confidence in New Zealand Enhance entities' accountability to Assist entities to compete financial reporting internationally stakeholders Outcomes Increases confidence Improves ability to compete Improves accountability

Impacts/influence on outcomes

Financial reporting strategy and standards frameworks that:

 Ensure a relatively stable financial reporting environment

The financial reporting strategy is sound, coherent and has a long term vision

 Ensure appropriate standards frameworks

The standards frameworks are appropriate to each sector and tier (size and level of accountability)

 Ensure alignment with relevant legislative framework

The financial reporting strategy and standards frameworks are consistent with the relevant regulatory/legislative framework

Accounting and assurance standards that:

 Ensure comparable information and a level playing field

Accounting and assurance standards converged with international standards and harmonised with Australian standards (as appropriate)

 Ensure no additional unnecessary costs (including cost of capital)

Accounting and assurance standards take into account the New Zealand regulatory environment but do not include unnecessary New Zealand-specific requirements

Accounting and assurance standards that:

Ensure transparent information

Accounting and assurance standards result in financial/corporate reports and auditors' reports that meet the information and accountability needs of report users

Ensure appropriate requirements and information

Accounting and assurance standards result in financial/corporate/ performance reports and auditors' reports (as required) that are appropriate to each sector, size and level of accountability

Ensure comparable and complete information

Accounting and assurance standards result in financial/corporate reports and auditors' reports that are comparable between entities locally and internationally and do not have information gaps







Performance indicators [measures of success] for outcomes Improved ability to compete In

Increased confidence		Improved ability to compete			
Ensure stability		•	Ensure comparability	•	En
0	Reliability of financial reporting		Independent reports/studies on		0

- strategy that requires infrequent changes
- Reliability of standards frameworks that require infrequent changes
- Enduring policy of international convergence/harmonisation, sector-specific standards and Tier Structure

• Ensure appropriateness

 Responsiveness and timeliness of standards frameworks to legislative changes and stakeholder feedback

- Independent reports/studies on New Zealand's international competitiveness
- Continuation of XRB's policy on influencing international boards
- Number of requests for and timeliness of New Zealand-specific amendments to standards that are not related to legislative or standards frameworks
- Responsiveness to and timeliness of standards to new (or amended) international standards

Ensure reduced cost of capital

 Independent comment/reports on New Zealand's competitive position

Improved accountability Ensure transparency

- Independent comment/reports about transparency and understandability of reported corporate information
- Independent comment/reports about audit quality

Ensure appropriateness

- Responsiveness and timeliness of standards to legislative changes and stakeholder feedback
- Number of New Zealand requests for and timeliness of changes to standards
- Independent feedback from other regulatory bodies about the requirements of standards

timeliness of changes to standards frameworks Ensure alignment with legislative	
framework	

- Consistency of standards frameworks with legislative frameworks
- Timely reflection of legislative changes in XRB's standards

0

- or ranking attributable to accounting and assurance standards
- Independent comment/reports on New Zealand's reaction to international reporting trends

Findings from independent New Zealand user-needs research

Ensure comparability and completeness

- Findings from independent New Zealand user-needs research
- Independent comment/reports on stakeholder awareness of wider corporate reporting and non-financial reporting matters

Findings from domestic and international stakeholder surveys on XRB's work



Outputs to influence achievement of outcome goal					
Financial Reporting Strategy, Accounting Framework, Assurance Framework and thought leadership					
	Accounting Standards, Authoritative Notices, other international pronouncements and New Zealand guidance				
	Auditing & Assurance Standards, other international pronouncements and New Zealand guidance				

Strategic Priorities – 2019-2021

The XRB's outcome goal in the period 2019-2021 will be achieved through a number of specific strategies, as set out below:

Overarching Strategy - Broad strategic approach

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

Specific Strategy	To be achieved by	
Specific Strategy 1: Maintain and Enhance Existing Standards	Creating a period of relative stability in standards for the next five years to allow the constituency to implement and adapt to the standard reforms of 2011-2016;	
	Maintaining the existing suites of standards so that they are of a high quality and remain consistent with international standards and Australian standards (where applicable);	
	Identifying and addressing any deficiencies or gaps in existing standards that are significant to user-needs and the quality of financial reporting; and	
	Expanding, where necessary, the XRB's legal mandate in relation to the issue of standards to better meet user needs and market demands.	
Specific Strategy 2: Undertake User-needs Research	Undertaking 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; and	
	Undertaking a post-implementation review of the standards frameworks in the period 2019-2020, including of the costs and benefits aspects of the standards frameworks.	
Specific Strategy 3: Influence	Support the overarching strategy of international convergence by actively:	
the International Boards	Seeking 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 so that standards are relevant to New Zealand entities; and	
	Participating in the work of the international standard setting boards through relationships, contribution by staff and, where appropriate, representation on international boards.	
Specific Strategy 4: Enhance Constituency Engagement	Continuing to develop standards in a collaborative manner with the constituency and to this end:	
and Support	Establishing engagement strategies and approaches to further enhance the level and quality of constituency engagement;	
	Increasing the organisation's involvement in awareness raising activities to help the constituency better understand the role, purpose and requirements of our standards;	
	Actively promoting 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; • Actively facilitating other relevant organisations to provide appropriate training and professional development activities relating to financial reporting; and	
	Actively working 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.	
Specific Strategy 5: Maintain Capability within a Financially Prudent Organisation	a Financially XRB's outcome goals, while operating in a financially prudent manner and	

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					
Strategic risks	Operational risks with strategic implications				
 Standards not acceptable to constituency/stakeholders and therefore not applied; International standard setters cease to exist or failure of global initiative; 	 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 				
 Standards do not result in high quality user- focussed, external reporting; and 	 resources); and Insufficient funding to carry out legislative mandate. 				
Loss of reputation/credibility of the XRB as a standard setter.					
Mitigating Actions					
Strategic	Operational				
Constituency/stakeholder outreach Focused on New Zealand-specific issues;	Effective ministerial and governing ministry relationships;				
Early involvement in key projects with international boards;	Effective brand management;Effective governance processes;				
Relevant standards frameworks;	Prudential management; and				
Transparent due process;	Good employer policies.				
User acceptance, tested by research; and					
Environmental scanning.					