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**Accounting Standards Review Board**

**Statement of Intent**

**For the period 1 July 2010 to 30 June 2013**

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## **Statement of Intent for period 1 July 2010 to 30 June 2013**

This Statement of Intent of the Accounting Standards Review Board (ASRB) has been prepared in accordance with the requirements of s.138-149 of the Crown Entities Act. The purpose of the Statement of Intent is to promote the public accountability of the ASRB by:

- Enabling the Crown to participate in the process of setting the ASRB's medium term intentions and undertakings;
- Setting out for the House of Representatives those intentions and undertakings; and
- Providing a base against which the ASRB's actual performance can be assessed.

Because the ASRB is an Independent Crown Entity, the Minister may not direct the ASRB to have regard to or give effect to a government policy.

In accordance with s145 of the Crown Entities Act, the ASRB has consulted with the Minister of Commerce in the preparation of this statement.

A handwritten signature in black ink, appearing to read 'Kevin Simpkins', written in a cursive style.

Kevin Simpkins  
Chairman



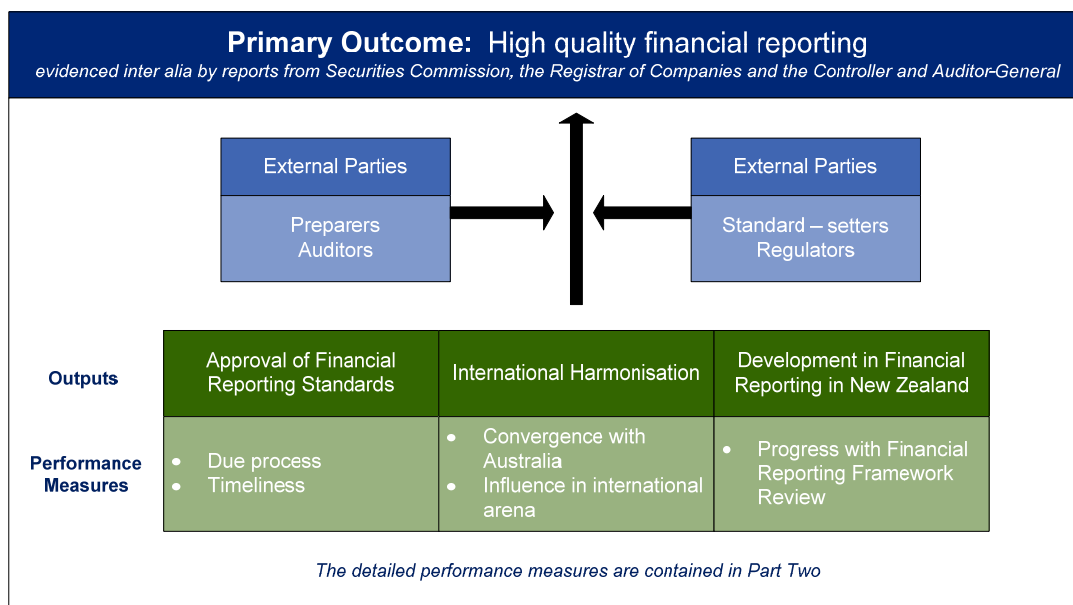
## Chairman's Introduction

The period from 1 July 2010 to 30 June 2013 will be a period of significant change for the Accounting Standards Review Board.

For the 2010/11 year, the Board will continue with its statutorily designated functions comprising the review and approval of financial reporting standards, international harmonisation, and the monitoring of developments in financial reporting requirements in New Zealand.

However, the Government has announced a proposal that from 1 July 2011, the Board will be re-constituted to form the eXternal Reporting Board (XRB), and take on the additional functions of accounting and auditing standard-setting. This will require the Board to contribute significant resources to the planning and implementation of the re-constituted entity. Preliminary planning has already been commenced, and plans will be further developed and monitored regularly by the Board throughout the transitional period. Plans for the transitions are discussed in this Statement of Intent.

The primary outcome, outputs and performance measures for the Board's existing functions are summarised in the following table:



The Statement of Intent summarises how the Board will perform its existing functions throughout the period, whilst preparing to integrate the additional standard-setting and oversight functions.

**Kevin Simpkins**  
Chairman



## Part One

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### 1. Key information about the ASRB and its operating environment

#### 1.1 The importance of generally accepted accounting practice

The ASRB is an independent Crown entity charged with approving the accounting standards that largely comprise generally accepted accounting practice in New Zealand. Generally accepted accounting practice underpins the financial reporting policy of all entities meeting public accountability expectations.

Financial reporting policy is a major element of corporate governance. The purpose of corporate governance is to have a set of systems and processes that encourage the management of entities to behave in ways that are fully consistent with the interests of shareholders or other stakeholders. To that end, the main purpose of financial reports is to promote the accountability of the senior management of an entity to those who own it, either directly (e.g. shareholders in the case of companies) or indirectly (e.g. taxpayers in the case of government entities). Accountability to the wider range of stakeholders might include for example issuers of securities (e.g. debt security holders) and not for profit entities (e.g. donors to charities).

To achieve this accountability, financial reports must be transparent, consistent, comprehensive, comparable and reflect the underlying economic reality of the entity and the transactions it undertakes. The confidence engendered by financial reporting has five major impacts on economic growth and New Zealand society generally. This is in line with the Government's goal to deliver greater prosperity, security and opportunities to all New Zealanders.

First it increases investor confidence in the New Zealand economy, thereby assisting in expanding our capital and financial markets and contributing to lower interest rates and costs of capital through reduced risk. Second, it increases the quality of investment decision making which in turn increases the likelihood that capital will be invested in projects that generate higher economic returns for the country. Third, it contributes to more effective and meaningful accountability for local stakeholders. Fourth, it contributes to protecting the government's revenue base since sound financial reporting underpins many aspects of taxation policy and fifth, in respect of the government, high quality financial reports are an essential underpinning of a stable and sustainable macroeconomic environment.

#### 1.2 The contribution of the ASRB

The ASRB is of the view that its most important contribution is to maintain and enhance investor confidence through high quality financial reporting in New Zealand. A key step in achieving this is to ensure that there is a robust strategic framework from which to operate.

High quality financial reporting can only be achieved if financial reporting standards are based on clear and sound economic principles, are mutually consistent, can be readily applied by preparers and can be understood by users. The ASRB's contribution to this is threefold; to contribute to the setting of financial reporting strategy applicable to the financial reporting framework, to oversee the standard setting process and to decide whether to approve the draft standards submitted to it by the New Zealand Institute of Chartered Accountants (NZICA or the Institute) and potentially others.



### 1.3 Stakeholders of the ASRB

The key players in the ASRB's operating environment are:

- **Users of financial statements** – resource providers (including shareholders, taxpayers, ratepayers and others), financial analysts, academics, credit rating agencies, corporate trustees and other business media all have a considerable interest in the integrity of the financial reporting system.
- **Regulators** – the integrity of the financial markets regulated by the Securities Commission is underpinned by a sound financial reporting system both in relation to historic and prospective financial information. The Reserve Bank has an interest in banking and insurance sector standards. The Registrar of Companies has registry and enforcement roles that have strong links to as well as dependency on the financial reporting system. The Charities Commission has the mandate for the regulation of charities.
- **Preparers** – who have a strong interest in ensuring financial reports represent faithfully their entities' performance, financial position and cashflows.
- **The New Zealand accounting profession** – which has a vital interest in financial reporting from a preparer, advisory and auditing perspective.
- **The Executive** – the Minister of Commerce is the ASRB's Minister. The Ministry of Economic Development (MED) has responsibility for providing policy advice to the Minister on the legislation under which the ASRB operates. It also monitors the ASRB's performance on behalf of the Crown.
- **The Financial Reporting Standards Board (FRSB)** – the NZICA Committee responsible for carrying out the specialist technical work that goes into considering what changes, if any, need to be made to International Financial Reporting Standards (IFRS) to make them fully applicable as New Zealand equivalents to International Financial Reporting Standards (NZIFRS). The FRSB also carries out a very thorough stakeholder consultation which the ASRB requires before it is prepared to consider approval of a draft standard.
- **The International Accounting Standards Board (IASB)** – there will be a continuing need for the ASRB to engage with the London based IASB at Trustee, Board and Senior Management levels.
- **The International Public Sector Accounting Standards Board (IPSASB)** – is charged with developing financial reporting standards for the public sector. These standards provide a source for public sector modifications in standards and as a comparator for the FRSB's work.
- **Standard setters in other jurisdictions** – New Zealand standard setters have a very close relationship with their equivalent Australian bodies and relevant officials. This includes participation in the Trans Tasman Accounting and Auditing Standards Advisory Group (TTAASAG) and cross memberships between the ASRB and the Australian Financial Reporting Council (FRC). New Zealand has also traditionally had strong relationships with standard setters in Europe and North America and the ASRB and FRSB are building closer relationships with Asian standard setting and oversight bodies through membership of new regional groups.



## **1.4 The current operating environment**

### **1.4.1 Overview of the Environment**

The Board considers, and where appropriate approves, new or revised accounting standards as part of the continuing process of adopting International Financial Reporting Standards (“IFRS”). New countries continue to sign up to these standards and the momentum that has been created has been positively accepted in many of the world’s main financial reporting jurisdictions.

The ASRB’s aim is to promote this confidence through the approval of financial reporting standards that are robust, internationally accepted and appropriate for the New Zealand environment. A regulatory regime with high standards of financial reporting, together with good corporate governance will underpin both healthy and efficient capital markets and a trusted and accountable public sector. In the case of profit oriented entities, the ASRB is keen to ensure that the integrity of the IFRS ‘brand’ is not prejudiced by any actions in New Zealand which could be construed as departing from the internationally agreed agenda of seeking one set of standards across the world.

The move by New Zealand reporting entities to IFRS results in considerable benefits from improved comparability of financial statements, and removal of the need for interested parties and providers of capital to have to translate the New Zealand generally accepted accounting practice (GAAP) information presented into the more universally understood accounting practices adopted by New Zealand’s major trading partners. Benefits also accrue in relation to the New Zealand subsidiaries of multinational organizations based in Australia and the European Union, as the IFRS based financial information prepared here can be incorporated directly into their IFRS based group reporting, without translation and amendment.

The ASRB’s work programme is primarily driven by the standards issued by the IASB. It is expected that there will be a large number of new IFRS’s and amendments to existing IFRS’s from the IASB in the year to 30 June 2011. This is likely to include significant changes to standards relating to financial instruments, liability and revenue recognition, insurance and lease accounting.

The Board plays a leadership role in the development of the financial reporting framework and the harmonisation of financial reporting standards. In line with Government policy, the Board has participated in Trans-Tasman co-ordination initiatives. These initiatives have been strengthened by the joint statement relating to the Single Economic Market Outcomes Framework from the Prime Ministers of New Zealand and Australia in August 2009.

On 30 September 2009 the Board published a discussion document “Proposed Application of Accounting and Assurance Standards under the proposed new Statutory Framework for Financial Reporting” at the same time as the publication by the Ministry of Economic Development of the discussion document “The Statutory Framework for Financial Reporting”. The analysis and review of the submissions on the discussion document will inform the Board’s decisions on improvements to financial reporting in New Zealand.

The Government has announced that the ASRB will be re-constituted as the eXternal Reporting Board (XRB) with a proposed implementation date of 1 July 2011. The XRB will have responsibility for both accounting and auditing standards. The Board is currently planning for the transition.



Several issues including the possible direct adoption of IFRS, convergence with Australia, and future standards for small and medium sized entities, public sector entities and the not-for-profit sector will be progressed by the Board in the coming year. These issues are discussed in the following section (1.4.2).

#### **1.4.2 Significant Current Issues**

Whilst the Board will be preparing itself for transition from a “virtual” entity to one with significantly expanded responsibility, employing staff and having permanent premises, when the XRB comes into existence, there are a number of current issues which require consideration as part of the reform of the financial reporting framework during 2010/11.

##### *Direct adoption of IFRS*

Currently the standard setting process in New Zealand has favoured adapting IFRS to provide for New Zealand specific issues. The Board will be considering whether it would be appropriate to adopt IFRS directly without modification.

##### *Convergence with Australia*

The Board will also be considering the effects of possible changes to financial reporting standards in the light of the Government’s Single Economic Market Outcomes Framework, which sets the context for consideration of the convergence of financial reporting standards with Australia. Consistent with the agreement between the Prime Ministers in August 2009, the Board considers that net Trans-Tasman benefit should be the key criterion for deciding whether convergence should be pursued.

The Board is particularly conscious of the importance of ensuring a co-ordinated approach with Australia wherever appropriate and is actively considering and supportive of further development in the Trans-Tasman relationship. The Board will be working to assist in ensuring that the Single Economic Market Outcomes Framework is achieved. This is a key Government initiative, endorsed by the Prime Ministers of Australia and New Zealand.

The Board has tentatively agreed to pursue an “applicable convergence” approach involving:

- Pursuing convergence of the for-profit reporting framework and standards over the short-term;
- Not pursuing convergence for public sector reporting for the time being; and
- Exploring opportunities for joint development of standards for the not-for-profit sector over the medium term.

##### *Small and Medium Sized Entities*

A key issue in the coming year will be confirming the financial reporting requirements of small and medium sized entities. In 2007, the ASRB approved the carrying forward of New Zealand’s historic differential reporting approach to financial reporting prior to a more fundamental review. The proposals in the Board’s Discussion Document of September 2009 and the submissions received will provide the basis for decisions on the way forward.



### *Public Sector Entities*

The ASRB is well aware of concerns about the application of NZ IFRS to public sector entities. These have been articulated by the Office of the Controller and Auditor-General.

The ASRB is considering the issue of whether a single set of financial reporting standards for all sectors continues to be appropriate. The Board will as part of that work also be considering the appropriateness of adopting International Public Sector Accounting Standards (IPSAS) in New Zealand.

### *Not-for-profit Sector*

The Review of the Financial Reporting Framework being undertaken by MED is expected to lead to clarification of the reporting obligations of charities and perhaps other not-for-profit entities. However the issue of what will need to be reported in financial reports by those entities which have financial reporting obligations will be determined by applicable financial reporting standards. The ASRB will ensure that the issues are appropriately addressed.

### **1.4.3 A Period of Change**

The ASRB is mindful of, and carefully considering, issues which may have an impact on the financial reporting environment over the period 2010-2013 and beyond and those and other matters which may impact the Board's role.

The current issues discussed earlier in this Statement all have the potential to affect the ASRB, the nature of its work and the role it plays in the financial reporting environment in New Zealand and abroad.

The ASRB is vitally concerned to ensure that throughout the coming period of change the specific needs of New Zealand users and entities are met.

### **1.5 Future Changes to the Board's Role**

The Government has announced changes which will in due course transform the ASRB from a "virtual" entity to one with staff and office space. The ASRB will take on new roles and responsibilities described briefly below.

The Government has decided to consolidate all financial reporting and auditing standard setting responsibilities within a reconstituted ASRB to be renamed the eXternal Reporting Board (XRB).

The proposed changes would closely align the New Zealand arrangements with Australia's thereby enhancing the potential for future cooperation between the two countries' standard setting bodies.

The proposed legislation is intended to take effect from mid-2011.

The Board has prepared preliminary plans for the transition to the XRB. These plans will be further developed and maintained regularly by the Board throughout the transition period.





## 2. The ASRB's functions

The ASRB was established as a Crown Entity by section 22 of the Financial Reporting Act 1993 (the "Act").

### 2.1 Review and Approval of Financial Reporting Standards

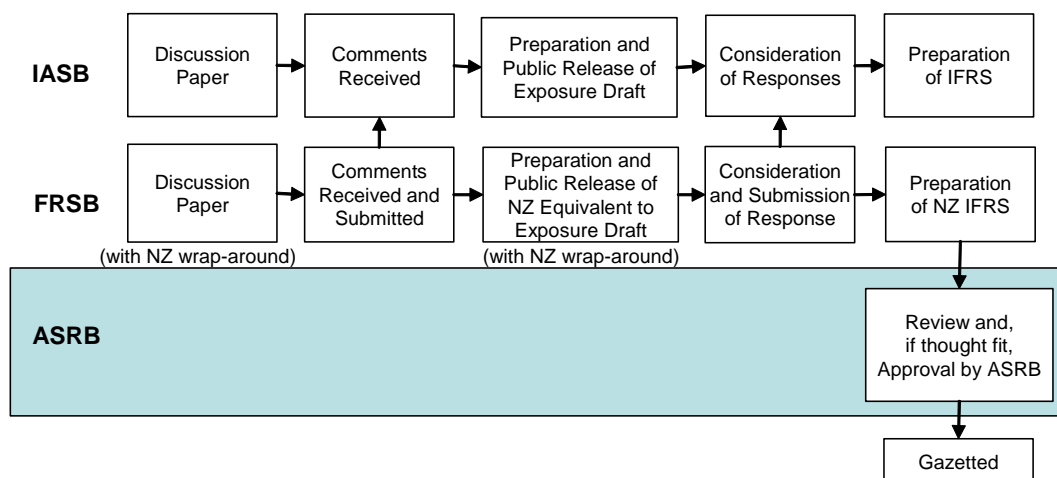
The current statutory role of the ASRB is to review and, if it thinks fit, approve financial reporting standards which are submitted to it, for application to the financial statements required to be prepared by reporting entities, groups, local authorities, council controlled organisations, state sector bodies and other entities in accordance with the Act, the Crown Entities Act 2004, the Local Government Act 2002, the Public Finance Act 1989 or any other enactment that requires a person to comply with the Act as if that person were a reporting entity.

The specific functions of the ASRB (as set out in section 24 of the Act) are to:

- Review and approve financial reporting standards and amendments to approved financial reporting standards;
- Give directions as to the accounting policies that have authoritative support within the accounting profession in New Zealand;
- Encourage and make recommendations concerning the development of financial reporting standards, including financial reporting standards for different classes of reporting entity; and
- Liaise with the Australian Accounting Standards Board ("AASB") with a view to harmonising New Zealand and Australian financial reporting standards.

The ASRB has such powers as are reasonably necessary to enable it to carry out its functions and is entitled to consult such persons or organisations as it thinks fit (section 30 of the Act).

The process giving rise to the development and promulgation of NZ IFRS is set out below:





In rare situations, where a financial reporting issue exists that is not being or planned to be addressed by the IASB, a New Zealand specific standard may be developed, usually by the FRSB.

The outcome that the ASRB is seeking to influence is the quality of financial reporting in New Zealand. The ASRB believes it has an important role in the promotion of confidence in the financial reports of both the corporate and public benefit entity sectors in New Zealand.

The ASRB is committed to being consistent, transparent and accountable. It has been delegated certain powers as befits an Independent Crown Entity and will be responsible but not hesitant in using those powers where appropriate. In order for the ASRB to achieve its objectives, the ASRB is required to be consultative as well as being consulted on matters which have a direct bearing on the requirement for entities to report on both financial and non-financial information. The ASRB has and will continue to operate as a credible, authoritative and influential entity but in doing so will have to continue to seek adequate resources, both in terms of people and funding to be effective in discharging its statutory roles.

Since most financial reporting standards will comprise NZ IFRS and be developed by the Institute, based on IFRS, the ASRB has agreed with the Institute and its FRSB certain policies and procedures for the development of financial reporting. These procedures are spelled out in [ASRB Release 8](#). It is expected that any other organisation submitting a proposed standard to the ASRB for approval should follow the same procedures and also request the views of the FRSB on any proposed standard.

The ASRB will continue to subject submissions for the approval of standards to a thorough and searching review, and will only approve such standards as it sees fit, recognising its broader statutory functions and objectives.

## **2.2 International Harmonisation**

One of the statutory functions of the ASRB is to liaise with the AASB with a view to harmonising New Zealand and Australian financial reporting standards. There is direct representation on the ASRB from the Chair of the Australian FRC, who is also a Trustee of the International Accounting Standards Committee Foundation. Likewise the Chairman of the ASRB is a member of the FRC. The Chairman of the ASRB is also the Chairman of the Trans Tasman Accounting and Auditing Standards Advisory Group (TTASAAG), which is charged with advancing harmonisation between Australia and New Zealand and to promoting the development of financial reporting in the region by encouraging links with other relevant accounting standards, oversight and policy making organisations. The ASRB will continue to prioritise development of relationships with key Australian institutions and individuals.

New Zealand is able to influence the development of international reporting standards by:

- Liaising closely with the IASB and IPSASB as a means of contributing to and influencing the output of those organisations;
- Participating in the deliberations of the FRC through the appointment of the ASRB Chair as a member of the FRC; and
- Participating in the deliberations of TTAASAG through the appointment of the ASRB Chair and others.



New Zealand has an enviable reputation in the international standard setting process. This continued recognition is vital to ensure that we continue to be heard and have the opportunity to influence the way accounting standards are considered and formulated.

Under a regime which involves the adoption of standards written and set by the IASB, it is essential that New Zealand continues to foster and grow both bilateral relationships with the IASB as well as relationships with key institutions involved in oversight and standard setting in Australia. The ASRB's activities are designed to promote this level of understanding and mutual respect, such that New Zealand is able to positively influence the direction taken by the IASB.

The ultimate objective is that New Zealand will achieve greater harmonisation internationally and in line with the Single Economic Market Outcomes Framework for a single set of financial reporting standards for entities across the Tasman.

Because of the decision made to adopt IFRS in New Zealand, the ASRB is vitally interested in ensuring that it has some influence over the setting of such standards. This influence is reflected in a tangible way by the contribution of a significant annual funding grant to the IASB. However, the ASRB is also an active participant in the standard setting process through attendance at relevant and important meetings of international standard setters and regulators. The ASRB has agreed to fund the cost of New Zealand representatives attending meetings of the AASB, IASB and IPSASB to provide direct input for New Zealand Standard setters into the development of relevant financial reporting standards.

The ASRB has agreed to allocate a portion of funding direct to IPSASB, to assist in the development of a project on the conceptual framework relating to public sector reporting.

### **2.3 Developments in Financial Reporting Requirements**

The ASRB will continue to actively monitor and contribute to proposals by the MED for the reform of the New Zealand financial reporting framework, including the consideration of the appropriate levels of reporting for different types or categories of entities.

The ASRB will continue the cordial and constructive working relationships with Ministry officials, such that the ASRB is both called upon and able to provide timely, reasoned and practical input to considerations regarding changes in relevant legislation.

### **2.4 Other Stakeholder communications and interface**

To successfully undertake the above roles, the ASRB will communicate regularly with various stakeholders who have an interest in ensuring the financial reporting systems in New Zealand are appropriately robust and relevant. These include;

- The Minister of Commerce and the MED;
- NZICA and the FRSB;
- The New Zealand accounting profession;
- Preparers and users of financial statements including, but not limited to those filling governance roles, financial analysts, shareholders, and business media; and



- Regulators such as the Securities Commission, Reserve Bank of New Zealand, Registrar of Companies and Charities Commission.

The ASRB aspires to develop both communication mechanisms and relationships with all of its key stakeholder groups such that it can progress the advancement of New Zealand's financial reporting in a timely, efficient and objective manner. Inherent to this is the recognition that the ASRB will discharge its own accountabilities to the Crown, and remain open to and proactive in its communication with affected groups such as preparers and users of financial statements as well as the New Zealand accounting profession.

### **3. Measuring the ASRB's performance**

Some of the expectations of the ASRB are set out in the Financial Reporting Act. For example before approving a standard the ASRB must be satisfied that reasonable steps have been taken to consult with persons or organisations or representatives of persons or organisations who would be affected by the adoption of the standard or the amendment.

The ASRB has been careful to set out in detail its own due process requirements in Release 8, *'The role of the Accounting Standards Review Board and the nature of approved financial reporting standards'* The due process expected by the ASRB includes:

- The issuance of an exposure draft for public comment, accompanied by a discussion paper;
- The preparation of the standard following consideration of the responses received to the exposure draft; and
- The submission of the standard to the ASRB for approval, accompanied by a summary of significant issues, an impact analysis where possible, and a comparison with similar international standards, where applicable.

The ASRB itself has taken steps to ensure its own processes are robust and that appropriate consideration has been given to issues of governance and management practices. It has a governance manual which describes in detail all issues concerning process, conduct, integrity, reporting and management. The ASRB is also subject to annual audit and is required to report regularly both in a formal and informal way to the Minister.

The formal Output Agreement between the ASRB and the Minister sets out the requirements of the Minister in terms of the specific outputs described in Part 2 of this Statement. The ASRB measures its actual performance per output against the levels established and articulated in Part 2 on an annual basis.

The ASRB is dependent on the FRSB to develop financial reporting standards and makes available an annual allocation of funding to contribute toward the direct costs the FRSB incurs in relation to standards development. However, this does not cover those costs fully nor cover the considerable volunteer time that is contributed by members of the Institute to the FRSB.

To further fulfil its accountabilities the ASRB has established a web site on which it publishes regular Communiqués together with its annual report and a full set of audited financial statements.



Finally in terms of the desired outcome of high quality financial reporting, the ASRB pays attention to surveys and other information on the state of financial reporting by such bodies as the Companies Office, the Securities Commission and the Office of the Auditor-General. Specifically the Board reviews the periodic reports by the Securities Commission on its Financial Reporting Surveillance Programme. Financial reporting issues are monitored to determine whether changes to financial reporting standards may be required.

The Board monitors all qualified audit opinions referred to the Registrar of Companies under the Act, and discusses financial reporting issues arising from qualified opinions. Where issues result from deficiencies in financial reporting standards these are considered by the Board in the context of the need for possible changes to standards.

#### **4. How the ASRB proposes to manage the organisational health and the capability of the entity**

Currently the ASRB is in effect a 'virtual' entity. It has no employees or premises and is required to operate on a very small budget once the funding contributions to the IASB, IPSASB and FRSB are separated out. Members of the ASRB are qualified for appointment by reason of their knowledge of or experience in business, accounting, finance, economics or law. The current members of the ASRB and their biographical details can be found in Part 4.

The workload of the ASRB has increased considerably recently for all members of the Board, but particularly for the Chair, who is a member of the Australian Financial Reporting Council and also Chairman of the Trans Tasman Accounting & Auditing Standards Advisory Group.

The workload for all Board members will continue to increase during the next 12 months in the light of the significant issues the ASRB is facing, including the reconstitution of the ASRB (see section 1.5).

The Board needs to maintain a high level of suitable expertise to perform its functions, and its members will be required to contribute greater amounts of time to ASRB activities during this period of significant activity.

The value that the ASRB brings to the process of setting standards for financial reporting in New Zealand is also heavily dependent on the quality and availability of experienced ASRB members. Such individuals need to bring an independence of mind to the process which is divorced from their loyalties to the accounting or legal professions. It is this experience and independence, as well as applying a broad range of perspectives which validates the standards approval process. ASRB members have to think about whether each new standard fits within the strategic framework and policies developed over the years by the ASRB, whether it has broad application and whether it can be sensibly applied and understood by preparers and users of financial statements across the whole range of reporting entities from the very small to the very large, and within both private and public sector entities.

The ASRB does not currently employ any full time staff. A General Manager and a Technical Advisor have been appointed on a contract basis. Administrative and finance support is also contracted. As stated elsewhere the Board anticipates that as it transitions to the XRB, it will be necessary to employ full-time staff and move to permanent premises.



The Board will continue to operate on a tight budget for 2010/2011, although an additional appropriation of \$225,000 has been provided. This is the amount which it is anticipated will be needed for transitional expenses in the year ending 30 June 2011. A capital injection of \$825,000 will provide \$415,000 for the property, plant and equipment for the set-up of the XRB and \$410,000 for working capital.

## **5. How the ASRB reports and consults with its responsible Minister**

There is a formal Output Agreement between the ASRB and the Minister which is negotiated annually. This sets out the expectations of the Minister in terms of both the specific outputs described in Part 2 of this Statement, but also requires two formal reports, at the half year and year end.

In addition, at regular intervals during the year the Chairman will meet with the Minister or his advisors to discuss matters concerning progress toward meeting the ASRB's objectives and also any other matters which may be relevant to the environment in which both the Minister and the ASRB operate.

The ASRB also recognises that from time to time it might be appropriate for it to make a formal submission on a proposed piece of legislation. The ASRB understands that, should it be invited to or wish to make a submission to a Select Committee on any matter, it will alert the Minister to this first.

The Board will at all times endeavour to maintain a "no surprises" policy with the Minister, and inform him and/or his advisors well in advance of any material or significant events, transactions and other issues that could be considered contentious or attract wide public interest.



## Part Two

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The specific outputs of the Board are:

- To consider and to approve as the ASRB considers appropriate financial reporting standards and amendments to financial reporting standards that are submitted to it;
- To contribute to the international work associated with developing financial reporting standards and promoting consistency between the New Zealand financial reporting regime and international norms;
- To participate in the trans-Tasman coordination initiatives, including the Trans-Tasman Accounting and Auditing Standards Advisory group (TTAASAG) and the ASRB Chair's appointment as a member of the Australian Financial Reporting Council; and
- To assist in the implementation of policy decisions on the review of the Financial Reporting Act 1993. This may include, assisting with the establishment of a reconstituted Crown Entity to carry out an increased range of functions.

The outputs to be provided by the ASRB will be measured against the following performance measures in relation to the year ending 30 June 2011:



**Output Performance Measures and Standards**

Performance Measures	2009/10		2010/11
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<b>Approval of Financial Reporting Standards*</b>			
<b>Quantity</b>			
Approval of financial reporting standards that are submitted to the Board will provide preparers of financial information with transparent rules and procedures for preparing financial statements in order to meet the needs of users of the information.	N/A	Approve or decline 10-15 financial reporting standards.	Consider for approval 10-20 financial reporting standards.
<b>Quality</b>			
Adoption of financial reporting standards means that financial information in New Zealand is comparable, relevant and understandable, and engenders confidence in New Zealand markets.	N/A	Receive fewer than 5 complaints about newly approved financial reporting standards from external stakeholders.	Receive fewer than 5 complaints about newly approved financial reporting standards from external stakeholders.
<b>Timeliness</b>			
Approval of financial reporting standards	N/A	Financial reporting standards are approved or declined within 4 months of draft standards being submitted.	Financial reporting standards are approved or declined within 4 months of draft standards being submitted.





Performance Measures	2009/10		2010/11
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<b>International Harmonisation</b>			
<b>Quantity</b>			
The Accounting Standards Review Board participates and contributes at international fora so that financial reporting in New Zealand is consistent with international best practice and New Zealand is able to influence the development of international financial reporting standards.	N/A	Members of the Accounting Standards Review Board, or delegates, attend 4-6 international fora and meetings.	Members of the Accounting Standards Review Board, or delegates, attend 4-6 international fora and meetings.
The Accounting Standards Review Board works closely with appropriate Australian agencies to achieve greater harmonisation in line with the Single Economic Market Outcomes Framework for a single set of financial reporting standards for entities operating across the Tasman.	N/A	N/A	Members of the Accounting Standards Review Board, or delegates, attend 15-20 Trans-Tasman fora and meetings.
By delegation to the New Zealand Institute of Chartered Accountants, the Accounting Standards Review Board will respond to all relevant International Accounting Standards Board and International Public Sector Accounting Standards Board exposure drafts of draft financial reporting standards.	N/A	The FRSB of NZICA will respond to 20-25 IASB and IPSASB exposure drafts within timeframes set by IASB / IPSASB.	The FRSB of NZICA will respond to 15-20 IASB and IPSASB exposure drafts within the timeframes set by IASB / IPSASB.
<b>Quality</b>			
International financial reporting best practice is promoted in New Zealand to ensure comparability, consistency and understandability of financial information for investors and other users.	N/A	International financial reporting developments are conveyed to interested and affected parties in the Accounting Standards Review Board's regular Communiqués.	International financial reporting developments are conveyed to interested and affected parties in the Accounting Standards Review Board's regular Communiqués.
<b>Timeliness</b>			
Timely information relating to attendance at international fora and meetings is communicated to interested and affected parties	N/A	Within 2-3 months.	Within 2-3 months.



Performance Measures	2009/10		2010/11
	Budgeted Standard	Estimated Actual Standard	Budget Standard
<b>Developments in Financial Reporting Requirements</b>			
<b>Quantity</b>			
Proposals for reform of the New Zealand financial reporting framework are progressed, including consideration of the appropriate levels of reporting requirements for different types, or categories of entity.	The ASRB will base its work on accurate research into, and analysis of, the existing circumstances, and will take into account feedback from consultation with market participants.	Preparation and release of a discussion document in response to legislative change.	Initial proposals are developed in response to legislative change.
Responses are provided to requests from the Ministry of Economic Development and others within agreed timeframes.	N/A	4-8 requests.	4-8 requests anticipated.
<b>Quality</b>			
Proposals for reform of the New Zealand financial reporting framework are progressed, so that NZ for-profit and not-for-profit entities have enhanced certainty about their reporting requirements.	N/A	Accurate research into, and analysis of, feedback from consultation with market participants.	Consultation will indicate that initial proposals provide enhanced certainty of reporting requirements.
<b>Timeliness</b>			
Communication of initial proposals to interested and affected parties.	N/A	Analysis of submissions completed by 30 June 2010.	Initial proposals by 30 June 2011.

\*The ASRB approves or declines draft financial reporting standards that are submitted to them. The ASRB does not develop standards itself. The Financial Reporting Standards Board (FRSB) is the primary submitter of draft financial reporting standards.



## Part Three

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### Accounting Standards Review Board

#### Prospective Financial Statements for 2010 - 2011

##### 1. Introduction

These prospective financial statements have been prepared in accordance with generally accepted accounting practice. Their purpose is to facilitate consideration and appropriations by Parliament for and planned performance of the Accounting Standards Review Board. Use of this information for other purposes may not be appropriate. Readers are cautioned that actual results are likely to vary from the information presented and that the variation may be material.

These prospective financial statements have been prepared on the basis of assumptions as to future events that the ASRB reasonably expects to occur as at the date the information was prepared. It is not intended that this information will be updated.

##### 2. Assumptions

The following assumptions have been used in preparing these prospective financial statements;

- Revenue of \$1,350,000 and a capital injection of \$825,000 have been confirmed by The Crown as available to the ASRB for the 2010/11 year;
- The contribution to the IASB is at the amount approved by The Minister when the original application was made;
- Increased policy development and consulting costs in considering responses to the Discussion Documents issued by the ASRB and the MED on 30 September 2009;
- Meeting costs are assessed on the basis of 8 meetings during the year;
- The contribution toward costs incurred by NZICA for FRS development represents the maximum amount realistically available; and
- Timing of normal operational cash flows will be similar to previous years.

##### 3. Financial Sustainability

In light of the significant changes ahead for the ASRB, the Board has set itself a challenging, but realistic, budget for the year to 30 June 2011, whilst maintaining financial stability.

These prospective financial statements have been prepared with the future financial sustainability of the ASRB in mind. The future shape of the ASRB beyond 30 June 2011 is likely to be considerably different from the current ASRB, as it transitions into the XRB (see Part One, paragraph 1.5).



Expenses of \$225,000 in the year ended 30 June 2011 for the transition of the ASRB to the XRB have been provided for in the accompanying forecast for 2010/11. This forecast also reflects a capital injection of \$825,000, of which it is anticipated that \$415,000 will be used for the initial property, plant and equipment required to set up the XRB. The remaining \$410,000 will provide working capital for the reconstituted entity.

### **Statement of Accounting Policies**

(a) **Reporting Entity**

The financial statements are prepared pursuant to the Crown Entities Act 2004.

(b) **Measurement System**

The accounting principles recognised as appropriate for the measurement and reporting of results and financial position on a historical cost basis have been applied.

(c) **Accounting Policies**

- (i) Receivables are stated at expected realisable value.
- (ii) The financial statements have been prepared on a GST exclusive basis with the exception of receivables and payables which are stated GST inclusive.

(d) **Development Funding**

Obligations in relation to development funding of Financial Reporting Standards are recognised when agreed services have been provided, at rates allowed for in formal purchasing agreements.

(e) **Financial Instruments**

The ASRB is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, debtors and creditors. All financial instruments are recognised in the statement of financial position and all revenues and expenses in relation to financial instruments are recognised in the statement of financial performance.

(f) **Changes in Accounting Policies**

There have been no changes in accounting policies during the year.



**Accounting Standards Review Board  
Prospective Statement of Comprehensive Income  
For year ending 30 June 2011**

	<b>2010 Estimated \$</b>	<b>2011 Forecast \$</b>
Revenue from the Crown	1,125,000	1,350,000
Revenue from MED for submission analysis	65,000	-
Interest	13,500	8,000
	<u>1,203,500</u>	<u>1,358,000</u>
Meeting Attendance and Related Expenses	100,000	120,000
General Operations	110,000	125,000
Policy Development	135,000	150,000
Transitional Expenses	-	225,000
Audit Fees	8,500	8,500
Accounting and Administration Costs	37,000	37,000
Publication, Printing and Stationery	3,000	3,000
Legal fees	5,000	10,000
International Activities	40,000	40,000
FRS Development Funding	550,000	500,000
IASB and IPSASB Development Funding	250,000	250,000
Website Costs	15,000	15,000
	<u>1,253,500</u>	<u>1,483,500</u>
Net Surplus/ (Deficit)	<u>(50,000)</u>	<u>(125,500)</u>

The Statement of Accounting Policies and the Notes to the financial Statements form part of and are to be read in conjunction with the Forecast Statement of Financial Performance.



**Accounting Standards Review Board  
Prospective Statement of Financial Position  
As at 30 June 2011**

	<b>2010 Estimated \$</b>	<b>2011 Forecast \$</b>
<b>Current Assets</b>		
Cash at Bank	208,254	492,754
<b>Current Liabilities</b>		
Payables	50,000	50,000
<b>Working Capital</b>	158,254	442,754
<b>Non Current Assets</b>		
Property, Plant, and Equipment	-	415,000
<b>Equity</b>	158,254	857,754

The Statement of Accounting Policies and the Notes to the financial Statements form part of and are to be read in conjunction with the Forecast Statement of Financial Position.



**Accounting Standards Review Board  
Prospective Statement of Movements in Equity  
For the year ending 30 June 2011**

	<b>2010 Estimated \$</b>	<b>2011 Forecast \$</b>
Equity as at 1 July	208,254	158,254
Net (Deficit) /Surplus – Total Recognised Revenues and Expenses	(50,000)	(125,500)
Capital Contribution from the Crown	-	825,000
Equity as at 30 June	<u>158,254</u>	<u>857,754</u>

The Statement of Accounting Policies and the Notes to the financial Statements form part of and are to be read in conjunction with the Forecast Statement of Movements in Equity.



**Accounting Standards Review Board  
Prospective Statement of Cash Flows  
For the year ended 30 June 2011**

	<b>2010 Estimated \$</b>	<b>2011 Forecast \$</b>
<b>Cash Flows from Operating Activities</b>		
Cash was provided from:		
Revenue from the Crown	1,125,000	1,350,000
MED Submission Funding	65,000	-
Interest	13,500	8,000
	1,203,500	1,358,000
<i>Cash was distributed to:</i>		
Suppliers	447,822	733,500
FRS / IASB Development Funding	800,000	750,000
	1,247,822	1,483,500
Net Cash Flow from: Operating Activities	(44,322)	(125,500)
<b>Cash Flows from Investing Activities</b>		
Cash was distributed to:		
Purchase of Property, Plant, and Equipment	-	415,000
	-	415,000
Net Cash Flow from: Investing Activities	-	(415,000)
<b>Cash Flows from Financing Activities</b>		
Cash was provided from:		
Capital contribution from the Crown	-	825,000
	-	825,000
Net Cash Flow from: Financing Activities	-	825,000
<b>Net Increase/(Decrease) in Cash</b>	(44,322)	284,500
Add Opening Balance	252,576	208,254
Closing Cash Balance	208,254	492,754

The Statement of Accounting Policies and the Notes to the financial Statements form part of and are to be read in conjunction with the Forecast Statement of Cash Flows.





**Accounting Standards Review Board  
Prospective Statement of Service Performance  
For the year ended 30 June 2011**

**Objectives**

The overall objectives of the ASRB are to contribute to the improvement, and the quality, of external financial reporting in the public and private sector for the benefit of users, and to assist preparers and auditors of financial reports

**Performance Measures**

The outputs to be provided by the ASRB are set out in Part Two of the Statement in relation to the year ended 30 June 2011.



## Part 4: Further Information

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### 1. Membership of the ASRB

Current members of the ASRB are as follows:

#### **Kevin Simpkins – Chairman**

Kevin is an Adjunct Professor at the School of Accounting and Commercial Law at Victoria University of Wellington. He has extensive experience across the public, private and not-for-profit sectors.

Kevin was previously Deputy Controller and Auditor-General, stepping down from that role at the end of May 2005. He is a former Technical Director of the New Zealand Institute of Chartered Accountants and National Director of Accounting of Ernst & Young NZ. He was a member and latterly Deputy Chair of the Financial Reporting Standards Board (1995 to 2002) and a Technical Adviser and Member of the now International Public Sector Accounting Standards Board (1991-3 and 1997-2003).



Kevin is Chairman of the Trans Tasman Accounting and Auditing Standards Advisory Group and a member of the Australian Financial Reporting Council.

#### **Michele Embling – Deputy Chair**

Michele is the Auckland Managing Partner of PricewaterhouseCoopers and heads the technical function of the New Zealand firm providing key advice on complex financial reporting, statutory and regulatory reporting issues. Since 2004 Michele has specialised in International Financial Reporting Standards (IFRS) advising clients about the adoption of IFRS and the application of the standards to complex transactions.



Michele has lent her support and advice in New Zealand accounting standard setting. She was an integral member of the team that developed the standard setting process, in particular the adoption of IFRS in New Zealand. Michele was also a member of the New Zealand Institute of Chartered Accountants' (NZICA) working group that converted the IFRS to New Zealand equivalent standards (NZIFRS) and also a member of the tax working group.



### **Jeffrey Lucy AM**

Jeff Lucy is a Chartered Accountant with experience in private practice as a Partner with PricewaterhouseCoopers in Adelaide where he was Managing Partner from 1994 to 2000, as well as recent experience as a Regulator in his position as Chairman of the Australian Securities and Investments Commission. In that role, Mr Lucy also represented ASIC at the International level with his involvement on the Technical Committee of IOSCO (Securities and Financial Market Regulators) and as Chairman of the International Forum of Independent Audit Regulators.



His current role in Australia as Chairman of the Financial Reporting Council involves oversight of Accounting and Auditing Standards, and monitoring auditor independence.

Mr Lucy is a trustee of the International Accounting Standards Committee Foundation.

### **Ken Warren**

Ken Warren is the New Zealand Treasury's Chief Accounting Advisor. Ken co-ordinates and provides advice on the Government's accounting policies and practices. In addition he has responsibility for Public Finance Act matters dealing with reporting and appropriations. Ken is a fellow chartered accountant, and a member of the IPSASB. He is also a member of NZICA's Public Sector Committee. Ken joined the New Zealand Treasury in 1990 to manage the preparation of the Financial Statements of the Government of New Zealand (including the preparation of the first audited balance sheet for the New Zealand Government). Previously, he had nine years auditing experience in both the private and public sectors.



### **Ralph Simpson**

Ralph Simpson has been a partner at Bell Gully since 1992 and currently heads the firm's litigation department. He specialises in commercial, corporate and securities litigation. He is a past member of the Bell Gully Management Board and past member of the Joint Insolvency Committee, which is composed of representatives from the legal and accounting professional bodies.





### **Simon Carey**

Simon Carey is a Director of Grant Thornton New Zealand Limited and is involved in national management of the firm. Simon has nearly 20 years' experience advising businesses and not-for-profit entities on a broad range of issues. He also has specialist expertise in corporate finance and valuation and industry experience in software, bio-technology and technology start-ups. He is a member of the Canterbury Software Cluster.



### **Graeme Mitchell**

Graeme Mitchell is a chartered accountant, recently retired from Deloitte, Wellington where he was an Audit and Assurance Partner for over 28 years. He was responsible for leading the audits of large entities in the public and private sectors, covering a wide range of business activities.

Graeme completed his tertiary education in economics at Stirling University, Scotland and has lived in Wellington for 32 years.

He is a director of Barnardos New Zealand, a member, Victoria University of Wellington Council and Chair of the Audit & Risk Committee, a member, Karori Sanctuary Trust Board of Trustees, and an independent member of the audit committees of Porirua City Council and the Human Rights Commission. He is also the Honorary Consul General for Norway and was made an Officer of the Royal Norwegian Order of Merit in 2009 for services to Norway overseas.



He is a Fellow of the New Zealand Institute of Chartered Accountants, and a member of the Institute of Directors.

## **2. Website Address**

Further details on the role and activities of the ASRB can be found on its website:

[www.asrb.co.nz](http://www.asrb.co.nz)