



**EXTERNAL REPORTING BOARD**

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*Te Kāwai Ārahi Pūrongo Mōwaho*

*"Giving Life to the User-Needs Framework"*

## **Strategic Plan**

**For the five year period  
1 July 2016 to 30 June 2021**

August 2016

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# 1. Overview of the XRB

The External Reporting Board (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.

The functions of the XRB are prescribed by section 12 of the Financial Reporting Act 2013 and comprise:

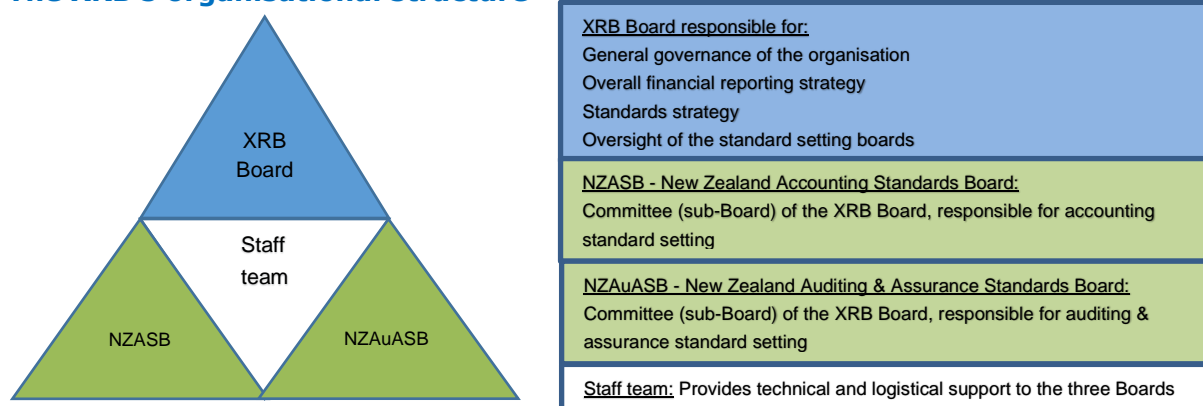
- developing and implementing an overall strategy for financial reporting standards and auditing & assurance standards (including developing and implementing tiers of financial reporting);
- preparing and issuing accounting standards, and preparing and issuing authoritative notices that form part of generally accepted accounting practice;
- preparing and issuing auditing & assurance standards; and
- liaising with national and international organisations that exercise functions that correspond with, or are similar to, those conferred on the XRB.

The Board itself comprises nine members appointed by the Governor General on the recommendation of the responsible Minister. Information about the current members of the XRB can be found at [www.xrb.govt.nz](http://www.xrb.govt.nz).

The Board has established two standard setting boards<sup>1</sup>, one that has responsibility for accounting standard setting (the New Zealand Accounting Standards Board - NZASB) and the other with responsibility for auditing & assurance standard setting (the New Zealand Auditing and Assurance Standards Board - NZAuASB). This structure is designed to not only ensure that the technical resources are available and that standard setting is undertaken in accordance with best practice, but also to enhance functional equivalence with Australia. These part-time, remunerated standards boards are appointed by the XRB Board, and comprise up to ten suitably qualified and experienced persons with a diversity of perspective. Information about the current members of the standard setting boards can be found at [www.xrb.govt.nz](http://www.xrb.govt.nz).

The XRB Board itself is responsible for general governance of the organisation, overall financial reporting strategy, standards strategy, and oversight of the standard setting boards. A staff team based in Wellington and Auckland provides technical and logistical support to the three Boards.

## The XRB's organisational structure



<sup>1</sup> In terms of the Crown Entities Act 2004, these are Committees of the Board.

## 2. XRB's Outcome Goals

The Government has established the following as its priorities:

- *Building a more productive and competitive economy;*
- *Responsibly managing the Government's finances;*
- *Delivering better public services within tight financial constraints; and*
- *Rebuilding Christchurch.*

The activities of the XRB are mostly related to the Government's objective to *build a more productive and competitive economy*. This is the XRB's overarching outcome goal. The XRB does, however, seek to contribute to the Government's other priorities in ways appropriate for the XRB. This includes ensuring that its financial reporting standards encourage the reporting of the Government's finances in a transparent and meaningful way; and ensuring that the XRB operates in an efficient and fiscally prudent manner.

A precondition for a productive and competitive economy is effective public accountability and good corporate governance. This applies in all sectors (for-profit, public sector and not-for-profit) and in this sense public accountability and good corporate governance needs to be viewed in a wide multi-sectoral context rather than in just a commercial context.

Good corporate governance requires, among other things, systems and processes that encourage the management of entities to behave in ways that are fully consistent with the interests of shareholders and other stakeholders. To that end, the purpose of financial reports is to promote the accountability of the management of an entity to those who own it, either directly (e.g. shareholders in the case of companies or members in the case of not-for-profit entities) or indirectly (e.g. taxpayers in the case of government entities). There is often accountability to a wider range of stakeholders as well, for example debt security holders in the case of issuers of debt securities, service recipients in the case of public sector entities, and donors in the case of charities.

High quality financial reporting (incorporating both financial and, where relevant, non-financial elements) that informs the decision-making of the users of financial reports is therefore important to achieving effective public accountability and good corporate governance, and then in turn building a more productive and competitive economy. To achieve this, financial reporting needs to be focused on the information needs of the users of general purpose financial reports; of a quality that engenders user confidence in the information received; assists entities to compete (particularly internationally, for example, by reducing the cost of funds through the use of generally recognised accounting approaches); and enhances accountability (through the transparency provided).

High quality financial reporting can only be achieved if the rules on which it is based (accounting standards) are reliable and based on clear and sound economic principles, are mutually consistent, can be readily applied by preparers and can be understood by users; and the assurance provided on that information is similarly based on standards that require robust and independent examination by assurance providers. In other words, a necessary condition for high quality financial reporting is high quality accounting and assurance standards. It is through the issuing of such standards that the XRB contributes to the Government's outcome goals.

Accordingly, the XRB Board has established the following as the XRB Organisation's outcome goal:

*The establishment of accounting and assurance standards that:*

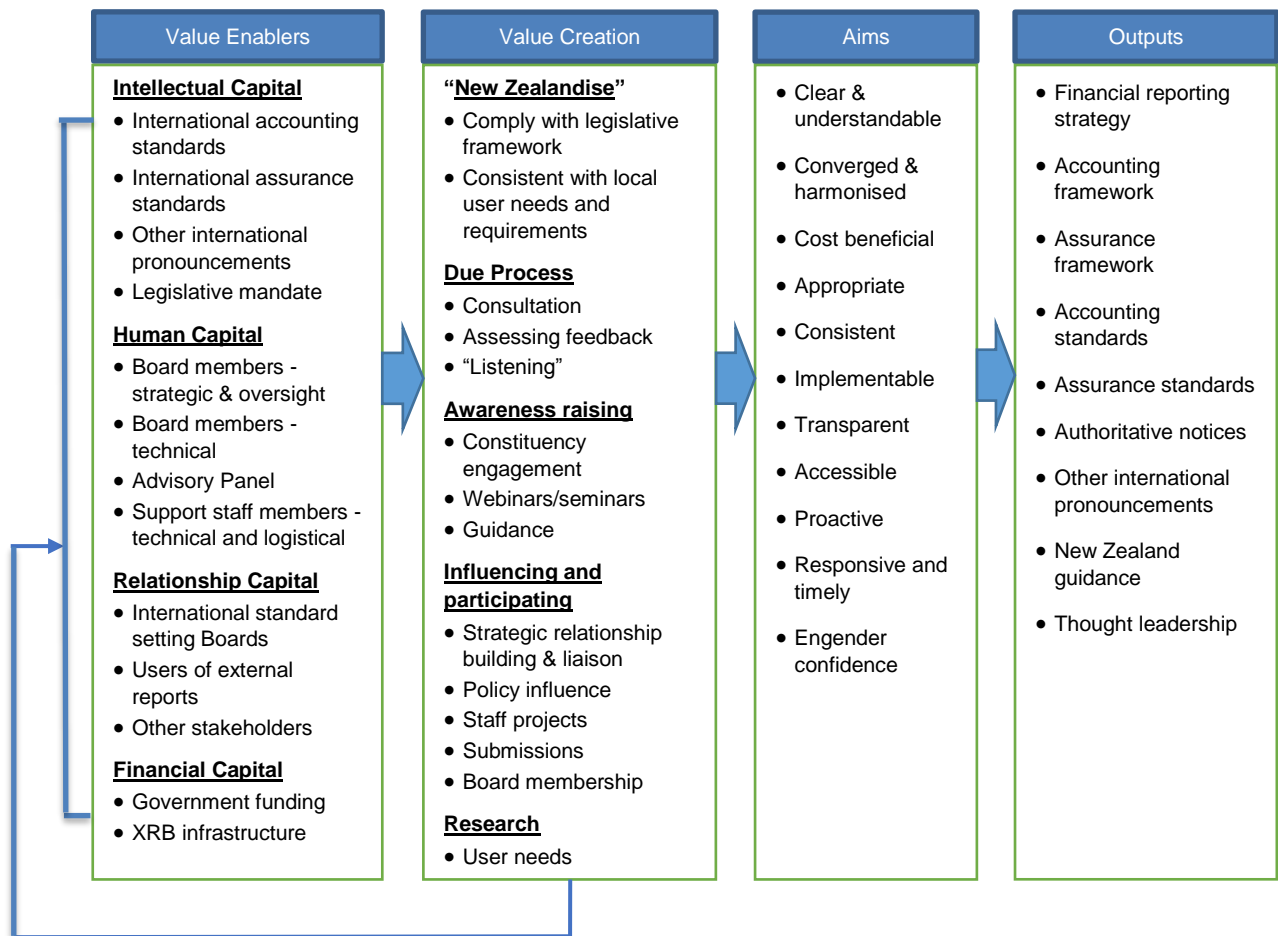
- *engender confidence in New Zealand financial reporting;*
- *assist entities to compete internationally; and*
- *enhance entities' accountability to stakeholders.*

The XRB seeks to influence the achievement of this outcome goal through the delivery of three key outputs:

- financial reporting strategy (including the standards frameworks and thought leadership);
- preparing and issuing accounting standards (including related international pronouncements and guidance); and
- preparing and issuing auditing & assurance standards (including related international pronouncements and guidance).

The XRB's value adding model is illustrated in Figure 1 and the XRB's outcome, impact and output performance framework is illustrated in Figure 2.

**Figure 1: Our Value Adding Model**



**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.

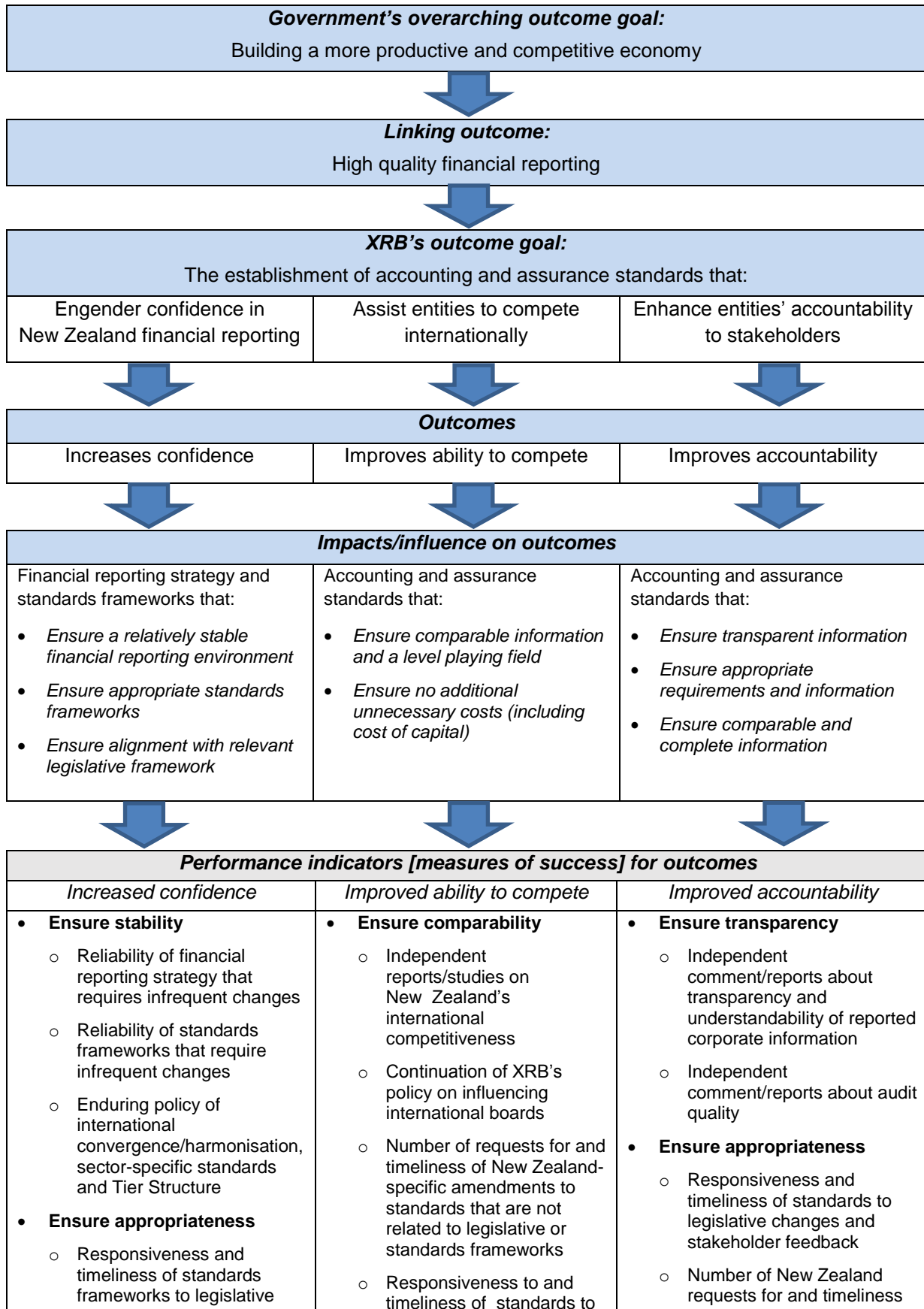
**Aims**

- Objectives driving the delivery of our outputs.

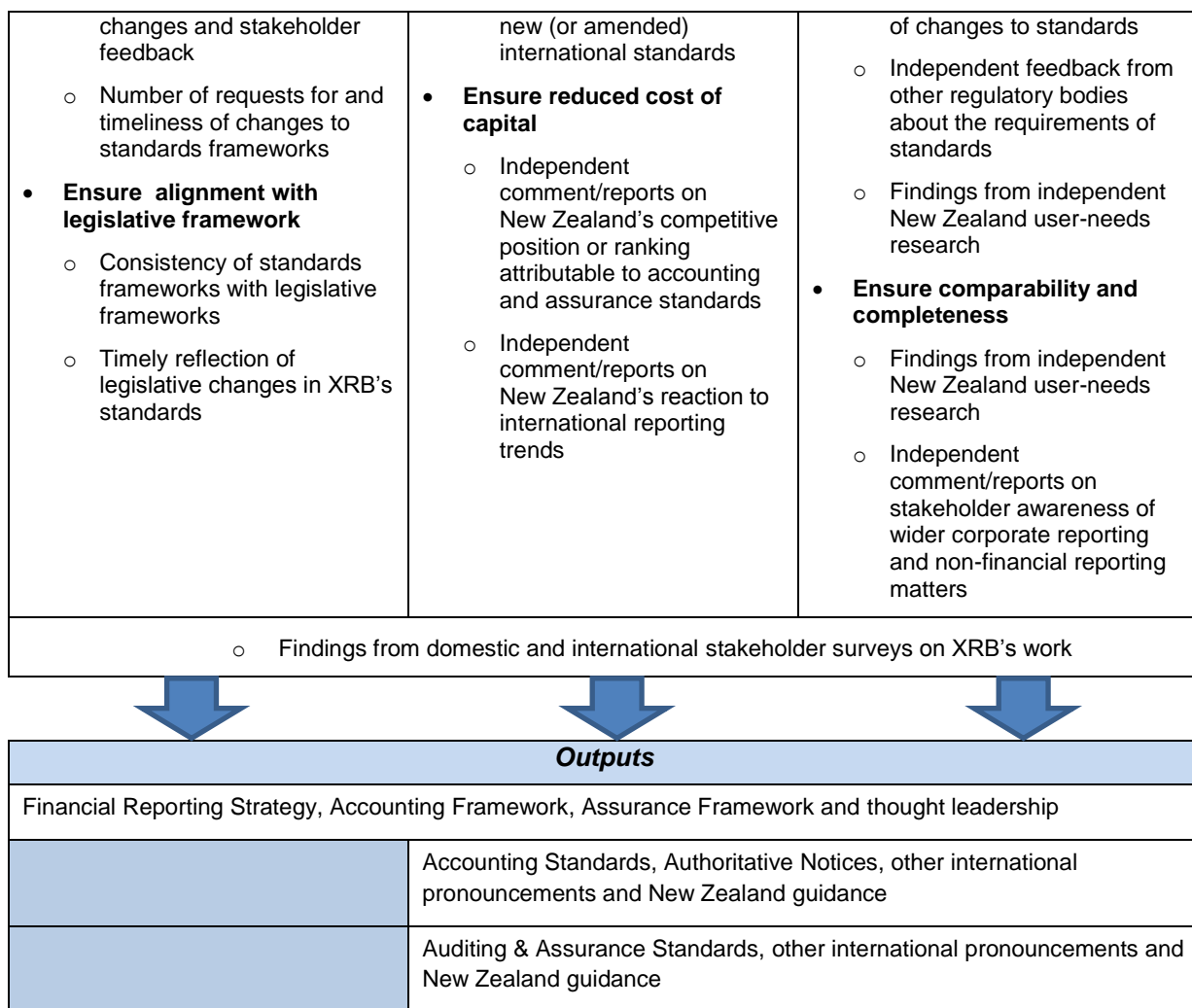
**Outputs**

- Services created by our value adding model required by our stakeholders, including as required by law, and contributing to our outcome goal.

**Figure 2: XRB Outcome, Impact and Output Performance Framework**







The outputs reflect three of the XRB's statutory responsibilities (see section 1). The fourth responsibility (liaising with kindred national and international organisations) is undertaken as a core part of delivering these outputs.

## 3. Strategic Context

### 3.1 The Priorities over the 1 July 2011-30 June 2014 Strategic Period

The XRB's [Strategic Plan](#) for the five year period 1 July 2014 to 30 June 2019 sets out in detail the XRB's priorities for the first three years of the XRB's existence (1 July 2011 to 30 June 2014). Strategically, the first three years have been dominated by four broad factors, all of which have been designed to influence the XRB's outcome goal:

- Establishing the XRB Organisation:
  - Establishing the new organisation and ensuring it was fulfilling its statutory functions effectively and efficiently;
- Putting in place the new Accounting Standards Framework and the new Auditing & Assurance Standards Framework:
  - Developing an Accounting Standards Framework<sup>2</sup> that consists of a two-sector, multi-tier structure with different accounting standards applying to each tier. The Accounting Standards Framework is based on the XRB Board's philosophy that international standards should be adopted unless there are strong reasons not to and that the for-profit accounting standards should remain harmonised with Australia unless there are strong reasons not to<sup>3</sup>;
  - Issuing an initial set of auditing & assurance standards, adopting an Auditing & Assurance Standards Framework and enhancing auditing & assurance standards so that they are consistent with the Auditing & Assurance Standards Framework, converged with international standards and, where relevant, harmonised with Australian standards<sup>4</sup>;
  - Developing reduced disclosure accounting requirements, PBE Standards and Simple Format Reporting Standards and establishing Professional and Ethical Standards for assurance providers as well as Review standards in the assurance standards area;
- Responding to legislative changes:
  - Contributing to the policy work associated with the significant legislative changes to financial reporting requirements, and preparing to give effect to relevant new provisions (including by way of the new Accounting and Auditing & Assurance Standards Frameworks); and

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<sup>2</sup> The then new Accounting Standards Framework was contained in a document entitled "*Proposals for the New Zealand Accounting Standards Framework*". In accordance with the requirements of the Financial Reporting Act 1993, this document was submitted to, and approved by, the Minister of Commerce in April 2012. The approved document is available at [www.xrb.govt.nz](http://www.xrb.govt.nz).

<sup>3</sup> The accounting standards for the for-profit sector are based on International Financial Reporting Standards (IFRS). The accounting standards for the public benefit entity (PBE) sector are based on International Public Sector Accounting Standards (IPSAS) modified as appropriate for public sector and not-for-profit entities in New Zealand. Simple Format Reporting Standards have been developed for application by smaller public benefit entities to reflect the relative costs and benefits of reporting by entities of this size. Establishing the specific accounting standards necessary to give effect to the new Accounting Standards Framework began in the 2011/12 financial year and was completed in the 2014/15 financial year.

<sup>4</sup> Work on implementing the Auditing and Assurance Standards Framework began in the 2011/12 financial year and was substantively completed in the 2013/14 financial year.

- Developing and implementing strategies for active and meaningful engagement with the constituency:
  - Establishing appropriate due process mechanisms as part of its standard setting processes to meet the XRB’s obligation to consult with the constituency before issuing accounting or auditing & assurance standards. The due process mechanisms includes having the majority of the non-governance part of Board meetings in open session and the establishment of the External Reporting Advisory Panel (XRAP) as a constituency-wide group that can actively contribute ideas and perspectives to XRB deliberations.

### 3.2 The Foundation for the 1 July 2014-30 June 2019 Strategic Period

The XRB’s [Strategic Plan](#) for the five year period 1 July 2014 to 30 June 2019 also sets out in detail the foundations for the 2014-2019 strategic period. These foundations include, in the context of the XRB Board’s strategy to adopt international standards where appropriate:

- The recognition that information needs of users of financial reports evolve over time, particularly in the global financial market of which New Zealand is part;
- The need to continue to consider the extent to which accounting and auditing & assurance standards are meeting user-needs as some needs may emerge locally affecting only entities reporting in New Zealand;
- The need to regularly consider, as part of the New Zealand standard setting process, the inherent tension in the adoption of international standards (which reflect user-needs internationally) and to seek to respond to local user-needs (which do not always reflect the same detailed information needs or balance of costs and benefits as international standards);
- The recognition that the development of the Accounting Standards Framework and the Auditing & Assurance Standards Framework is not an end in itself but is a necessary first step towards achieving the continuous objective of a financial reporting framework and standards (both accounting and assurance) that have a meaningful user-needs focus and that appropriately manage the tensions between conflicting user-needs;
- The need to ensure that financial reporting (including the reporting of relevant non-financial information) is providing information of importance and relevance to users of financial reports, in an appropriately balanced way, to achieve the XRB’s outcome goal.

The XRB Board coined the phrase “*Giving Life to the User-Needs Framework*” in April 2014 as a way of encapsulating these foundations and as the focus for the strategic period 2014-2019.

## 4. Strategic Priorities for the 2016-2021 Period

### 4.1 Overview of Strategic Priorities

The XRB considers the underlying foundations for “*Giving Life to the User-Needs Framework*” that was the focus for the strategic period 2014-2019 continues to be appropriate for the XRB for the period 2016-2021. Therefore, the XRB’s strategic priorities for the period 2016-2021 continues to be based broadly on the same foundations and focus as the period 2014-2019.

In broad terms the strategic priorities for the XRB for the 2016-2021 period can be summarised as follows:

#### Broad Strategic Approach:

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

#### Broad Output Priorities:

- Create a period of relative stability in standards for the next three years to allow the constituency to implement and adapt to the standard reforms of 2011-2014;
- Maintain the existing suites of standards so that they are of a high quality and remain consistent with international standards and, where applicable, Australian standards;
- Identify and address any deficiencies or gaps in existing standards that are critical to user-needs and the quality of financial reporting, including, where necessary, expanding the legal mandate of the XRB in relation to the issue of standards to better meet user needs and market demands;
- Undertake 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;
- Undertake a post-implementation review of the standards frameworks in the period 2019-2020, including of the costs and benefits aspects of the standards frameworks.

#### Broad Delivery Mechanisms:

- Seek 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;
- Continue to develop standards with, rather than to/for, the constituency and, to this end, establish engagement strategies and approaches to further enhance the level and quality of constituency engagement;

- Increase the organisation’s involvement in awareness raising activities to help the constituency better understand the role, purpose and requirements of our standards;
- Actively promote 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 facilitate other relevant organisations to provide appropriate training and professional development activities relating to financial reporting; and
- Actively work 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.

These strategic priorities are discussed in more detail below.

## 4.2 Broad Strategic Approach

The XRB Board remains comfortable with the current financial reporting strategy which comprises two main elements:

- the multi-standards, multi-tier approach; and
- where applicable, standards that are converged with international standards and harmonised with Australian standards.

The XRB Board plans to continue with this broad approach over the 2016-2021 period. It means that New Zealand will continue to be predominantly a “standard-taker”.

The XRB Board remains committed to the convergence and harmonisation strategy in the period 2016-2021: convergence with international standards and, where applicable, harmonisation with Australian standards.

The adoption of international standards as the basis for New Zealand standards reflects the XRB Board’s view that this is in New Zealand’s best interests given the globalised financial reporting environment that now exists. International events and pressures are reflected in the work of the international standard setting boards and, where appropriate, in the standards issued by those boards. In this way New Zealand standards are reflective of the international environment.

This convergence approach is important in all sectors, but particularly in relation to for-profit entities where the accounting standards are based on IFRS. The adoption of IFRS by New Zealand for-profit reporting entities 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 financial information 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 organisations 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.

Similarly, there are significant advantages for New Zealand auditors to be able to assert compliance with International Standards on Auditing (ISAs). These include adding to the

credibility of reporting by New Zealand auditors. Having their financial statements being assured under ISAs also benefit New Zealand entities, particularly those who are raising funds in international capital markets by potentially reducing the cost of capital.

The XRB Board considers harmonisation with Australian standards to be a particularly important strategic imperative in establishing accounting standards and auditing & assurance standards for for-profit entities, given both Government policy<sup>5</sup> and the number of for-profit entities with trans-Tasman reporting obligations. The XRB will therefore continue to work closely with its Australian counterparts as appropriate over the 2016-2021 strategic period.

### 4.3 Broad Output Priorities

#### *Relative Stability*

The XRB Board is conscious that the first five years of the XRB's existence has, in the New Zealand context, resulted in an unprecedented level of standards output from the XRB – in relation to both accounting standards and auditing & assurance standards. This has not only provided significant challenges for the XRB, it has also required a lot of effort from the constituency to comment on this volume of material.

The next few years will also require considerable effort from the constituency as it implements the new standards. The XRB Board therefore considers that a period of relative stability in accounting and assurance standards (compared particularly to the first three years) is desirable over the 2016-2021 strategic period to allow things to "settle down". Accordingly, unless unexpected events require otherwise, the XRB Board does not intend to make any fundamental change to the structure or substantive content of financial reporting requirements over the 2016-2021 period.

#### *Maintaining Existing Standards*

Notwithstanding the desire for relative stability, the XRB Board considers it essential that the suites of existing standards are maintained on an on-going basis so that they are fully converged with international standards and harmonised, where applicable, with Australian standards at all times. This means that maintaining the existing suites of standards will continue to be a key priority for the XRB during the 2016-2021 period.

The maintenance of standards is an on-going process. It involves incorporating in New Zealand standards (following appropriate due process), standards that are issued by the international standard setting bodies, most notably the International Accounting Standards Board (IASB), the International Public Sector Accounting Standards Board (IPSASB), the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA). The standards issued by the XRB are therefore heavily influenced by the output of the international boards.

In addition, the XRB Board, NZASB and NZAuASB provide comments on relevant exposure drafts and other documents issued for comment by the international boards. This reflects the XRB's statutory obligation to work with international standard setting bodies. It is also consistent with the XRB Board's strategy of seeking to influence international standards during their development phase (see below).

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<sup>5</sup> The Single Economic Market Outcomes Framework agreed by the New Zealand and Australian Governments in August 2009 includes a specific section on financial reporting.

An important part of the “standards maintenance” activity during the next strategic period will also involve actively monitoring any issues emerging from the implementation of the new standards, and responding to those issues through changes to standards where appropriate.

### *Addressing Critical Issues*

A related continuing priority is addressing any deficiencies or gaps in existing standards that are critical to user-needs and the quality of financial reporting during the next five years.

The XRB Board’s view is that overall the suites of accounting and auditing & assurance standards are good, relatively comprehensive and robust. However, the desire for a period of relative stability should not prevent the XRB from seeking to influence the addressing of any critical issues in the existing standards over the strategic period. This includes, where appropriate, expanding the XRB’s legal mandate to enable the XRB to issue standards where this is considered necessary to better meet user needs and market demands.

### *User-needs Research*

The XRB Board is keen to ensure that user-needs are firmly at the forefront of standard setting in New Zealand in the future. It is also keen to promote high quality reporting of information by entities to meet those user-needs.

There are a range of areas where information might be able to be improved to better meet user-needs including:

- financial information;
- non-financial information;
- audit information; and
- the integration between them.<sup>6</sup>

Having considered a variety of such opportunities (including developments such as integrated reporting) the XRB Board has concluded that the XRB does not have sufficient information about the users of information and assurance provided under its standards (both accounting and auditing), their information needs, and which of those information needs should be met through GPFR (and the statutory assurance thereon). This is a reflection of the normative way in which standard setting has historically been done in New Zealand (and elsewhere around the world) and the XRB Board would like to move to a more empirical, evidence-based approach.

The XRB Board has therefore concluded that it should continue to be a priority for the 2016-2021 strategic period to undertake research into user needs, in both the accounting and auditing & assurance context. Such an approach sits well with the period of relative stability. It allows the XRB to work behind the scenes during this period gathering empirical evidence to inform future decisions about how to enhance XRB standards, what areas the XRB should be encouraging the international board to address, and as a basis for empirical-based discussions with the international boards.

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<sup>6</sup> The XRB Board is particularly supportive of the integration of financial and non-financial information. It considers that the XRB should actively monitor non-financial information developments such as integrated reporting, and that assurance issues should be considered contemporaneously. Furthermore, the XRB Board accepts that the XRB is best placed to consider and participate in such developments in New Zealand. However, these (and other) issues need to be explored through a user-needs lens.

The XRB Board acknowledges the international difficulties experienced in conducting research into user-needs. However, the Board considers that New Zealand's relatively small size and the nature of the New Zealand market-place are likely to make at least some user-needs research possible in our context. The XRB Board's intention is that the research will focus on both what users need and do not need, including any information currently being reported that is not needed.

While the XRB Board's broad strategic approach remains appropriate for the period 2016-2021, based on findings from its research projects, the XRB Board will conduct a post-implementation review of its standards frameworks in the 2019-2020 period to ensure that its broad strategic approach and the standards frameworks continue to be appropriate from 2021 onwards. The review will include a review of the costs and benefits aspects of the standards frameworks.

## 4.4 Broad Delivery Mechanisms

### *Influencing International Boards*

The XRB Board's convergence strategy means the current strategy of seeking to influence the international boards "at the front end" (i.e. during the early stages of standard development) will continue to be important. Although quite some effort has been applied to this strategy since coming into existence, the XRB Board considers that this should be an area of even greater emphasis over the 2016-2021 strategic period.

The XRB's efforts to influence the international boards should be deliberate, coherent, constructive, and focused on topics of greatest importance to New Zealand. Accordingly, the XRB Board intends to enhance its influencing strategies based on two broad (and interconnected) approaches: relationships and participation:

- *Relationships:* The XRB intends to work further to build relationships with the international boards (and related organisations) at both board member and staff levels.
- *Participation:* The XRB will continue in its efforts to support the work of the international boards (and related organisations) over the 2016-2021 strategic period and ensuring that it is adding value to the work of the international boards. This will include involvement in activities promoted by the international boards, contributing to technical or regional groupings to contribute to the work of the boards, participating in the work of the boards (through, for example, assistance with projects).

Where appropriate, the XRB will also seek to directly influence the international boards. Maintaining good relationships with other standard setters and relevant groups will be important in achieving this and will therefore also be an important priority during the 2016-2021 strategic period. Initiatives to give effect to this (such as hosting conferences, and taking modest leadership roles) will be explored. In addition, the XRB Board will nominate and support suitably qualified individuals for appointment to the membership of international boards, where this is considered to be appropriate.

### *Constituency Engagement*

The XRB Board remains committed to its strategy of developing standards with, rather than to/for, the constituency.



The XRB Board considers that a great deal of innovative constituency engagement occurred over the first five years of the XRB's existence. The XRB Board considers that constituency engagement should continue to be a priority for the 2016-2021 strategic period and that the XRB should look to build on the engagement successes from the first five years to take constituency engagement "to the next level". The XRB plans to develop explicit strategies and mechanisms to achieve this over the 2016-2021 period.

### *Awareness Raising and Facilitation*

The XRB put a significant amount of effort into communication during its first five years. By and large this appears to have been successful. The XRB Board considers that given the amount of change, and the complexity of reporting and assurance in the modern economy, the proper understanding, implementation and application of our standards across the constituency is likely to need better communication and engagement in the future. An important aspect of the XRB's awareness raising and facilitation is to ensure constituents fully understand the reasons for, benefits to be achieved and costs of any changes to standards frameworks, new standards or amendments to existing standards.

The XRB Board's view is the XRB should be involved in awareness raising to help the constituency understand XRB standards. However, this should not extend to training on how to apply the standards, professional development training, or education of a general nature (such as financial literacy).

The XRB Board recognises that professional development training (e.g. on financial reporting for company directors) is important to achieving at least some of the outcomes of concern to the XRB. The XRB Board therefore considers it appropriate for the organisation to take a more active facilitation role to encourage relevant organisations to undertake such training activities.

The XRB Board also considers that the achievement of the Government's economic outcomes in the financial reporting area will require greater co-ordination of efforts across the sector. Such an approach is explicit in the reforms to the public sector management model given effect through recent amendments to the State Sector Act 1988 and the Public Finance Act 1989. Over the 2016-2021 strategic period, the XRB will therefore work more actively with the Ministry of Business, Innovation and Employment, the Financial Markets Authority, the Reserve Bank and others to ensure the linkages between the work of relevant agencies (in both the accounting and auditing & assurance areas) are clearly identified and any gaps addressed.

Over the 2016-2021 strategic period, the XRB will also actively promote the awareness, understanding and implementation of EER among New Zealand constituents. This is to ensure New Zealand keeps up with emerging international trends and developments in reporting non-financial information to complement the disclosure of financial information. The XRB intends to play the role of a "shaper" and facilitator of thinking and debate in EER. This is consistent with the XRB's strategy of engaging and working with the constituency. Keeping up with international developments in reporting is consistent with the XRB's outcome goal of engendering confidence in financial (and non-financial) reporting by New Zealand entities, assisting entities to compete internationally and enhancing entities' accountability to stakeholders. Current international wisdom is this initiative benefits from a framework approach rather than from a more formal set of standards. The XRB will also actively monitor the progress of international views.

## **5. Ownership Performance Priorities for the 2016-2021 Period**

The XRB Board worked hard during its first five years to ensure that the XRB organisation moved to operating in a “steady-state” mode as soon as possible after its establishment.

The XRB Board is very conscious of the Government’s fiscal constraints, the need to operate within our means, and to ensure value for money in all that the XRB does. Accordingly, a cost-control, value for money culture and approach has been established within the organisation.

The strategic ownership priorities for the 2016-2021 period are:

- Operate in a financially prudent manner including within the fiscal parameters established by appropriation;
- Maintain the level of capability needed to deliver the outputs required and the strategic priorities outlined in section 4; and
- Maintain a high performance culture commensurate with achieving the XRB’s outcome goals.

## 6. 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.

<b>Key risks</b>	
<i>Strategic risks</i>	<i>Operational risks with strategic implications</i>
<ul style="list-style-type: none"> <li>Standards not acceptable to constituency/stakeholders and therefore not applied;</li> <li>International standard setters cease to exist or failure of global initiative;</li> <li>Standards do not result in high quality user-focussed, external reporting; and</li> <li>Loss of reputation/credibility of the XRB as a standard setter.</li> </ul>	<ul style="list-style-type: none"> <li>Inability to attract/retain diverse and highly qualified Board members (loss of governance/technical resources);</li> <li>Inability to attract/retain diverse and highly qualified staff (loss of management/technical resources); and</li> <li>Insufficient funding to carry out legislative mandate.</li> </ul>
<b>Mitigating Actions</b>	
<i>Strategic</i>	<i>Operational</i>
<ul style="list-style-type: none"> <li>Constituency/stakeholder outreach               <ul style="list-style-type: none"> <li>Focused on New Zealand-specific issues;</li> </ul> </li> <li>Early involvement in key projects with international boards;</li> <li>Relevant standards frameworks;</li> <li>Transparent due process;</li> <li>User acceptance, tested by research; and</li> <li>Environmental scanning.</li> </ul>	<ul style="list-style-type: none"> <li>Effective ministerial and governing ministry relationships;</li> <li>Effective brand management;</li> <li>Effective governance processes;</li> <li>Prudential management; and</li> <li>Good employer policies.</li> </ul>

## 7. Summary of XRB Strategies for the 2016-2021 Period

### Overarching Strategy

Maintain the existing financial reporting strategic approach comprising accounting and auditing & assurance standards that are converged with international standards and harmonised, where applicable, with Australian standards. In the case of accounting standards this is set within the established multi-standards, multi-tier accounting framework.

### Specific Strategy 1: Maintain and Enhance Existing Standards

Establish a period of relative standards stability during which the existing suites of standards are maintained to reflect changes to international standards and, where necessary, enhanced to address any deficiencies or gaps that are significant to user-needs and the quality of financial reporting.

Expand, where necessary, the XRB's mandate to issue standards to better meet user-needs and market demands.

### Specific Strategy 2: Undertake User-needs Research

Undertake 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.

Undertake a post-implementation review of the XRB's financial reporting strategy and the standards frameworks in 2019-2020 period, including of the costs and benefits aspects of the standards frameworks.

### Specific Strategy 3: Influence the International Boards

Support the overarching strategy of international convergence by actively:

- 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 and Support

Continue to develop standards in a collaborative manner with the constituency and to this end:

- Establish approaches to further enhance the level and quality of constituency engagement;
- Increase the organisation's involvement in awareness activities that help the constituency better understand the role, purpose and requirements of our standards;

- Actively promote the awareness, understanding and implementation of EER among New Zealand constituents;
- Actively facilitate other relevant organisations to provide appropriate training and professional development activities relating to financial reporting; and
- Actively work 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**

Maintain a high performance culture commensurate with achieving the XRB's outcome goals, while operating in a financially prudent manner and maintaining the level of capability needed to deliver the outputs required.