



**EXTERNAL REPORTING BOARD**  
*Te Kāwai Ārahi Pūrongo Mōwaho*

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# 2018 Annual Report

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- For the year ended 30 June 2018

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# Who we are

We are an independent Crown Entity subject to the Crown Entities Act 2004

We replaced the Accounting Standards Review Board (ASRB)

We came into existence on 1 July 2011

We report to the Minister of Commerce and Consumer Affairs: Hon. Kris Faafoi

We are an Independent Crown Entity established under the Financial Reporting Act 1993 with continued existence under the Financial Reporting Act 2013

The Financial Reporting Act 2013 requires the XRB Board to consist of not less than four, nor more than nine members (9 throughout 2017/2018 year)

XRB Board Members are appointed by the Governor-General on the recommendation of the Minister of Commerce and Consumer Affairs

XRB Board Members are appointed for a renewable term of five years. Remuneration is set annually by the Remuneration Authority

**WE PARTICIPATE IN FORMULATION OF POLICY ADVICE AND DIRECTION WITH MINISTRY OF BUSINESS, INNOVATION AND EMPLOYMENT (MBIE)**

- ✓

**The XRB has two Technical Boards (Committees under the Crown Entities Act);**

  - New Zealand Accounting Standards Board (NZASB); and
  - New Zealand Auditing & Assurance Standards Board (NZAuASB).
- ✓

**The XRB has one advisory forum: XRB Advisory Panel (XRAP)**
- ✓

**The XRB has a staff team of 18 based predominantly in Wellington and Auckland**

# Chairman's Report



“ Responding to disruption is the key issue for the XRB. In the international audit and assurance arena there is considerable regulator discussion in relation to international audit standard setting and comment on audit quality. ”

## Governance Process

The External Reporting Board (XRB) was established by the Financial Reporting Act 1993 and commenced operations on 1 July 2011. The XRB Board consists of nine members and the Board met six times during 2017/2018.

The key functions of the XRB Board are:

- General governance of the organisation
- Overall financial reporting strategy
- Standards strategy
- Oversight of standard setting Boards.

The XRB has two technical Boards who undertake the technical standard-setting work: the New Zealand Accounting Standards Board (NZASB) and the New Zealand Audit and Assurance Board (NZAuASB).

## Board Highlights

There were many highlights for the XRB Board in 2017/2018, as outlined below:

- The Board reviewed and approved the 2018 – 2023 Strategic Plan
- There were new standards issued: 14 Accounting Standards – one of which was a new domestic standard – PBE FRS48 Service Performance Reporting (released November 2017)
- Issue of two Auditing and Assurance Standards
- The XRB facilitated three new international Board appointments:
  - Mr Todd Beardsworth – member – International Public Sector Accounting Standards Board (IPSASB)

- Mr Ken Warren – member – IFRS Advisory Council
- Ms Marje Russ and Mr Clint Ramoo – IAASB Project Advisory Panel for assurance on Extended External Reporting (EER)

- The first XRB Stakeholder survey was undertaken. The survey was taken by 182 stakeholders. The results were pleasing and some excellent feedback was given which the XRB intend to act upon
- Two new members joined the XRB Advisory Panel, expanding our reach for constituency engagement
- XRB has maintained a strong influencing strategy with key international organisations such as the International Accounting Standards Board (IASB), the International Public Sector Accounting Standards Board (IPSASB) and the International Audit and Assurance Standards Board (IAASB)
- The XRB has embraced the Government wellbeing priority by advancing discussions on EER. EER has been an XRB Strategy for several years and involves extending entities reporting to include amongst other things, strategies and risk relating to long term sustainability.
- There has been progress on awareness raising of the need for EER in NZ via discussions with key stakeholders and the approval of the XRB EER project plan.

## Technical Boards' Operations

Throughout the year, both the NZASB and NZAuASB had a full complement of expertise and continued very active work programmes.

## Board highlights



2018 – 2023  
Strategic Plan



14 new Accounting  
Standards issued



Two new Auditing and  
Assurance Standards issued

These work programmes included one new domestic standard on accounting for Service Performance Information, PBE FRS 48 Service Performance Reporting, which was released in November 2017. The NZAuASB is currently working on an audit standard on Service Performance Information (SPI).

Both boards increased levels of constituency awareness raising during the year, and continued to be involved in key international forums.

**Environmental Challenges**

Responding to disruption is the key issue for the XRB. In the international audit and assurance arena there is considerable regulator discussion in relation to international audit standard setting and comment on audit quality. International audit and ethics standard setting may see less participation by audit firms and more participation by regulators.

There is a risk that international standard setting in audit and assurance could alter substantially and New Zealand may need to return to some aspects of national standard setting.

Audit firms are trying to understand and implement new technology in the form of artificial intelligence, machine learning and blockchain technologies, amongst others. Standard setters need to be cognisant of emerging technologies and changes in audit processes to create audit and assurance standards that are relevant.

In relation to accounting standards, there remains some ongoing discontent with some key aspects of accounting requirements

particularly in Europe. There is pressure on standard setters in relation to timeliness of new standards which may impact on the quality of the standards being released for consultation.

**Extended External Reporting (EER)**

There is a growing user requirement for increased non-financial reporting from entities which has prompted the XRB to begin a work plan on Extended External Reporting and its implications for New Zealand.

This will have an impact on both financial reporting and assurance.

There is increased interest in digital / real time reporting which will have an impact on standards for both accounting and audit and assurance.

**Commitment to Global Linkages**

During the year XRB were committed to ensuring New Zealand is globally linked. There were several ways this was achieved:

- New Zealanders were represented on three key global standard-setting boards: International Audit and Assurance Board (IAASB), IPSASB and the International Accounting Standards Board (IASB)
- There were representatives at three advisory forums: Accounting Standards Advisory Forum (ASAF), IFRS Advisory Council and the IAASB Project Advisory Panel on EER
- The XRB attended and actively participated in key global meetings of national standard-setters
- The XRB staff actively contributed to key international projects

- XRB staff were seconded to International Boards during the year
- Reciprocal and effective appointments to Australian Standard Setting Boards: Australian Accounting Standards Board (AASB), the Australian Audit and Assurance Board (AUASB) and the Financial Reporting Council (FRC)
- XRB organised regular visits for key global leaders to New Zealand, and presentations to interested constituents
- The XRB’s New Zealand submissions on International issues have been highly sought after due to our constructive approach – such as our submission to IPSASB on revenue and non-exchange expenses.

**Acknowledgements**

The XRB continues to receive excellent support from Minister Hon. Kris Faafoi. We are grateful for the professionalism and dedication of the XRB and its sub board members. We are thankful for the willing and effective input into our projects from our constituency and we would like to acknowledge the dedication of the management team and staff during the year.



**Graeme Mitchell**  
Chair



Three new international Board appointments



Two new members to the XRB Advisory Panel



Our consistent strategy embraces the Government's wellbeing priority



The first XRB Stakeholder survey



Strong engagement with key international organisations



Raised awareness for Extended External Reporting (EER) in NZ

# Chief Executive's Report



“ The XRB management team and staff would like to acknowledge the XRB Board members and the two technical boards for their encouragement and guidance throughout the year. ”

## Management Process

The XRB has a staff team of 18 (four part-time) in two key locations: Wellington and Auckland. We had a full complement of staff throughout 2017/18.

The staff team supports the entire organisation and its activities. This includes providing technical support to international Board representatives.

The staff team are responsible for executing the strategic direction of the organisation.

## Management Highlights

The XRB management team had several highlights in the past year. These included:

- An extensive project of infrastructure renewal, that included:
  - Hybrid computers
  - Telephony
  - Email server upgrade
  - Video-conferencing
- New Zealand's XRB technical staff played a key role in international standard-setting projects
- XRB participated in key international consultations such as providing comment on IPSASB ED64 Leases and on the IPSASB Consultation Paper on Revenue and non-exchange expenses
- Substantial effort in awareness raising activities relating to Extended External Reporting (EER) trends
- We undertook and published four user-focused research projects
- To assist stakeholders, we issued five practical guidance documents
- We had increased media interest in several research initiatives
- We planned, supported and participated in 21 New Zealand based Board meetings, two Advisory Panel meetings and one Board Strategy Day meeting
- We developed and managed an extensive programme of stakeholder/constituent awareness raising meetings
- We presented at key conferences, seminars and webinars regularly throughout the year.

## NZ Accounting Standards Board

The NZ Accounting Standards Board held ten meetings in 2017/2018. The Board issued a highly anticipated standard on accounting for Service Performance Information (see study 2 on page 14).

Throughout the past year there were four high-impact IFRS standards issued or approaching implementation date:

- Financial instruments
- Revenue
- Leases
- Insurance Contracts.

Key work was also carried out on Public Benefit Entities (PBE) topics covering:

- Leases
- Revenue and Non-Exchange Expenses
- Heritage items
- Social benefits
- Financial Instruments.

## NZ Auditing and Assurance Board

The NZ Auditing and Assurance Board held six meetings in 2017/2018. The Board continued to work on the New Zealand domestic standard on auditing of Service Performance Information.

There was also implementation of new ethical requirements on:

- Non-compliance with laws and regulations (NOCLAR)
- Long association (Audit Executive rotation).

With the Financial Markets Authority (FMA), a joint publication was issued on the first years' experience with new auditor reporting (see study 1 on page 14), and three practical guides on assurance requirements in the Not-For-Profit (NFP) sector were also released.

## Acknowledgements

The XRB management team and staff would like to acknowledge the XRB Board members and the two technical boards for their encouragement and guidance throughout the year. We also wish to thank our various advisory forums that provide us the much needed "on-the-ground" advice and experience. Lastly, we are thankful for the active participation from a wide range of New Zealand constituents in our consultation process.

**Warren Allen**  
Chief Executive

# What we do

## OUR VALUE ADDING MODEL

### Value enablers

#### Intellectual Capital

- International accounting standards
- International assurance standards
- Other international pronouncements
- Legislative mandate
- International Extended External Reporting frameworks

#### Human Capital

- Board members – strategic & oversight
- Board members – technical
- Advisory Panel
- Staff members – technical and logistical support

#### Relationship/Social Capital

- International standard setting boards
- Users of external reports
- Other stakeholders
- Trust in the process
- New Zealand’s cultural identity – changing dynamics of users

#### Financial Capital

- Government funding
- XRB infrastructure

### Value creation

#### “New Zealandise”

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

#### Due Process

- Consultation
- Assessing feedback
- “Listening”

#### Influencing and participating

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

#### Research

- User needs
- Awareness raising
- Webinars/seminars/media
- Constituency engagement
- Guidance

### Quality Drivers

- Converged & harmonised
- Clear & understandable
- Cost beneficial

- Appropriate
- Consistent
- Implementable

- Transparent
- Accessible
- Proactive

- Responsive & timely
- Engender confidence & trust
- Resilient

### Outputs

- Financial reporting strategy
- Accounting framework
- Assurance framework

- Accounting standards
- Assurance standards
- Authoritative notices

- Other international pronouncements
- New Zealand guidance
- Thought leadership

### Outputs produced for

#### Primary stakeholders

- Users of external reports
- Preparers of external reports/entities (including those charged with governance)
- Assurance providers
- Regulators
- Policy/law makers

#### Other stakeholders

- Tertiary institutions
- Professional bodies
- Membership collectives (e.g. “umbrella” organisations for shareholders, not-for-profit/philanthropy entities etc)

#### 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.

#### Quality Drivers

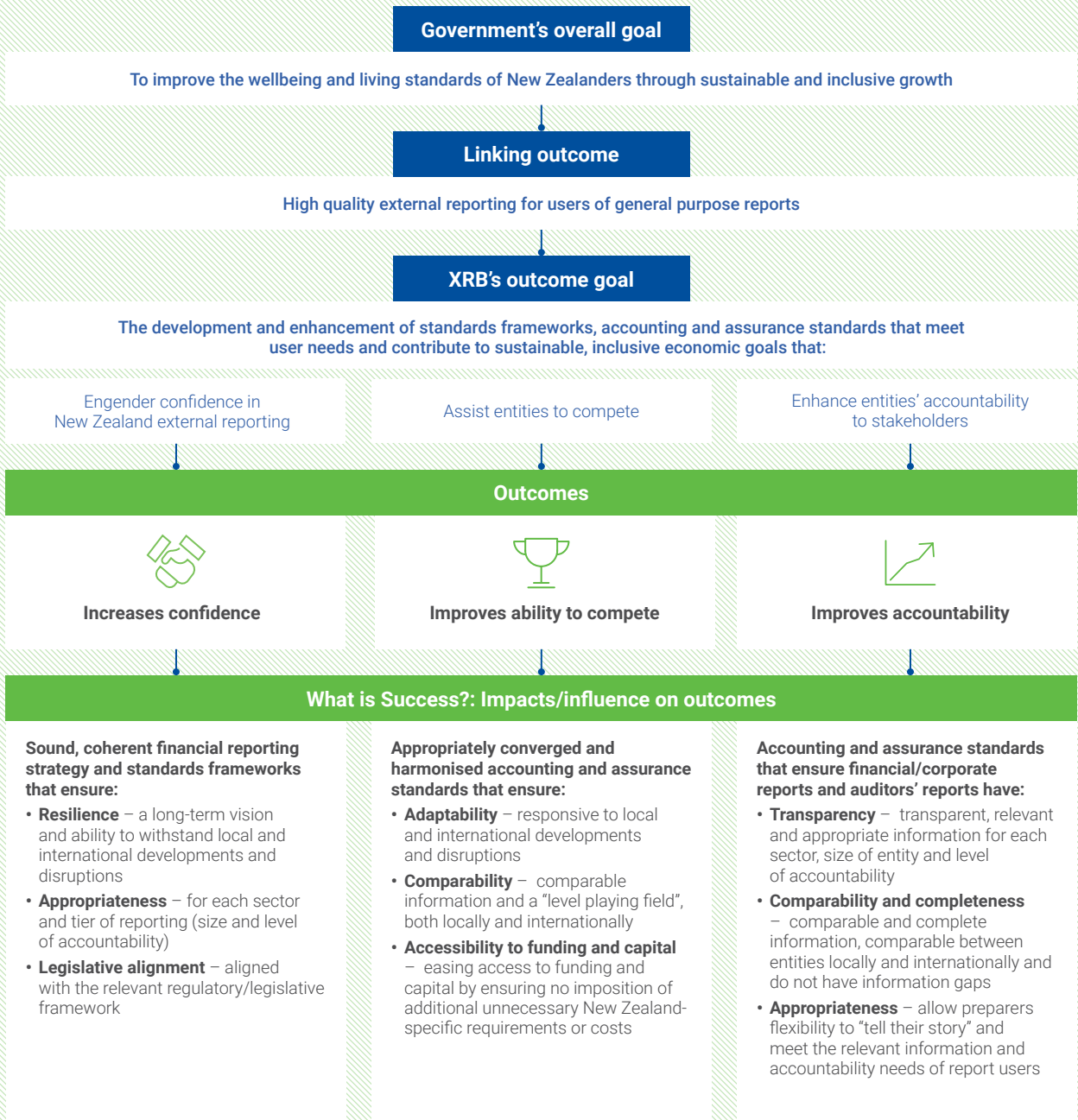
Objectives driving the delivery of our outputs.

#### Outputs

Services created by our value adding model and contributing to our outcome goal.

# Why we do what we do

## XRB'S OUTCOME, IMPACT AND





## OUTPUT PERFORMANCE FRAMEWORK

### Performance indicators (measures of success) for outcomes



#### Increases confidence

- Enduring policy of international convergence/harmonisation, sector-specific standards and Tier Structure
- Consistency of standards frameworks with legislative frameworks
- Reliability of financial reporting strategy and standards frameworks that require infrequent changes
- Responsiveness and timeliness of standards frameworks to legislative changes and stakeholder feedback
- Number of requests from stakeholders for changes to standards frameworks



#### Improves ability to compete

- Continuation of XRB's policy on influencing international boards
- Independent reports/studies/comment on New Zealand's:
  - international competitiveness/competitive position
  - ranking attributable to accounting and assurance standards
  - reaction to international reporting trends



#### Improves accountability

- Continuation of XRB's policy of ensuring corporate information meets user needs and utilising findings from XRB and independent New Zealand user-needs research
- Independent reports/studies/comment about:
  - transparency and understandability of reported corporate information
  - audit quality
  - stakeholder awareness of wider corporate reporting and non-financial reporting matters
- Independent feedback from other regulatory bodies about the requirements of standards

- Responsiveness of standards to new (or amended) international standards
- Number of requests for New Zealand-specific amendments to standards that are not related to legislative or standards frameworks
- Timeliness of changes to standards to reflect stakeholder feedback

- Findings from domestic and international stakeholder survey on XRB's work

### Outputs to influence achievement of outcome goal

Financial Reporting Strategy, Accounting Framework, Assurance Framework and thought leadership

Accounting Standards, Authoritative Notices, other international pronouncements and New Zealand guidance

Auditing & Assurance Standards, other international pronouncements and New Zealand guidance

# Who we do it for

## Government



- Standards issued as required by legislation
- Standards form part of the legislative framework- standards are disallowable instruments for the purpose of the Legislation Act 2012
- To meet the requirements of the Minister of Commerce and Consumer Affairs

## Other Government Agencies



- Work in collaboration with many other government agencies, the key ones are:
- Ministry of Business, Innovation and Employment (MBIE) – assist with policy decisions, such as Incorporated Societies Bill
  - Financial Markets Authority (FMA) – strong link providing feedback on Auditing Standards and audit quality
  - Reserve Bank of New Zealand (RBNZ) – audit reporting required by Orders in Council for banking sector
  - Inland Revenue Department (IRD) – impact of accounting standards on taxation policy
  - New Zealand Treasury – development and implementation of public sector accounting standards
  - Office of the Auditor-General (OAG) / Audit New Zealand – development and implementation of public sector accounting and auditing standards
  - Charities Services – implementation of accounting framework within charities
  - Privacy Commissioner – to ensure any personal disclosures required by standards comply with Privacy Act

## Professionals



- Financial statement preparers
- Statutory auditors
- Assurance providers
- Those Charged with Governance, Directors
- Investor Analyst / Community
- Professional Bodies i.e. Chartered Accountants Australia and New Zealand (CAANZ), Certified Practising Accountants (CPA), Institute of Directors (IOD)

## Users



- Capital markets, New Zealand Stock Exchange (NZX)
- Institutional and retail investors
- Directors, Trustees, Committee Members, Volunteers etc
- Donors
- Taxpayers
- Regulators
- Financial Advisors

## Other Stakeholders



- Investor associations such as Shareholders Association, Institute of Finance Professionals New Zealand (INFINZ)
- Philanthropic organisations, such as Philanthropy NZ

## Public

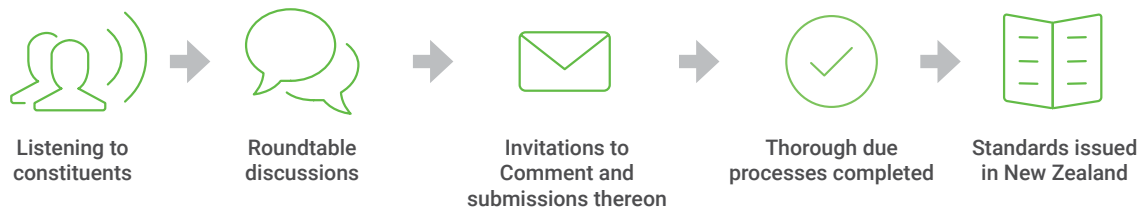


- Communities
- Iwi
- Individuals

# How we do it

The XRB adopts international Standards as a starting point for creating standards. Technical Boards consider and debate international standards with input from staff technical teams and user research.

## Detailed consultation is undertaken by:



## Key workstreams to ensure our strategies remain responsive to user needs:

<p><b>Awareness raising</b></p> <ul style="list-style-type: none"> <li>• User-friendly website</li> <li>• Webinars</li> <li>• Seminars</li> <li>• Conference presentations</li> <li>• Social media</li> <li>• Guidance documentation</li> </ul>	<p><b>Influencing international boards</b></p> <ul style="list-style-type: none"> <li>• Support (technical support and funding) of New Zealand's membership on two key international boards (IAASB and IPSASB)</li> <li>• Funding support to IASB and IPSASB</li> <li>• Active participation in international boards' taskforces and advisory forums</li> <li>• Staff projects to assist international boards</li> <li>• Staff secondments to work with international boards</li> <li>• XRB staff as technical advisors to two international board members (IPSASB and IAASB)</li> </ul>	<p><b>Collaboration</b></p> <ul style="list-style-type: none"> <li>• Work with others to achieve our objectives (2017/18 examples FMA and McGuinness Institute)</li> <li>• Harmonisation where appropriate with Australian standards</li> <li>• Reciprocal appointments onto Australian standard setting Boards</li> </ul>
<p><b>Engage</b></p> <ul style="list-style-type: none"> <li>• Bi-annual meetings of XRB Advisory Panel</li> <li>• Regular speaking opportunities at appropriate meetings, conferences and seminars</li> <li>• Respond to national and international consultations on appropriate topics</li> <li>• Stay connected with key international developments</li> <li>• Maintaining relationships with our stakeholder networks</li> <li>• Each Board meeting includes a consideration of national and global environmental scans</li> </ul>	<p><b>Thought leadership</b></p> <ul style="list-style-type: none"> <li>• User needs research</li> <li>• Contributing articles to relevant magazines</li> <li>• Regular presentation on emerging topics</li> </ul>	<p><b>Operational excellence</b></p> <ul style="list-style-type: none"> <li>• Value-for-money ethos</li> <li>• Flexible employment practices</li> <li>• Efficiency of meetings using modern technology and staff collaboration tools</li> <li>• Involved in a self-performance Improvement Framework review (PIF)</li> </ul>

# What does success look like?

## Global acceptance



- Our work appreciated and utilised globally
- Our opinion sought on key new initiatives
- Successful nominations to key international Boards

## Local acceptance



- Preparers, users and auditors have a high level of acceptance
- Worthwhile involvement with XRB consultations
- Supportive stakeholder survey results
- Thought leadership on emerging and challenging topics
- Regularly requested to present at seminars, conferences and meetings across the constituency

## Trusted as the NZ accounting and auditing standard setter



- Positive stakeholder survey results
- Fully discharge our legislative responsibilities
- Responsive to user needs

## Understandable



- Lack of major implementation issues
- Supporting documentation (basis of conclusions) conveys reasons for key decisions

## Global leadership



- New Zealand seen as "fast-followers"
- Our opinion often sought and acted upon
- Attendance and presentation of our work at key international meetings of global standard-setters

## Challenges



- Forward looking and "stretch" strategic plan for 2018-2023
- Active participation in debates on new initiatives e.g. EER
- Mitigation of key risks
- Flexibility to respond to any key international disruptions

## Resilient



- Resilient standards framework and strategy
- Resilient organisation

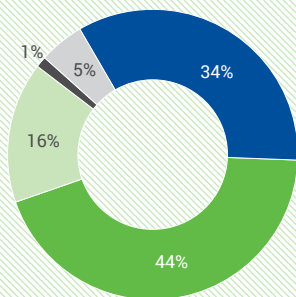
# Highlights from 2017-18

## Inaugural XRB Stakeholder Survey

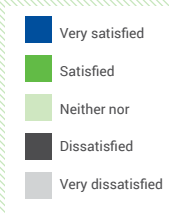
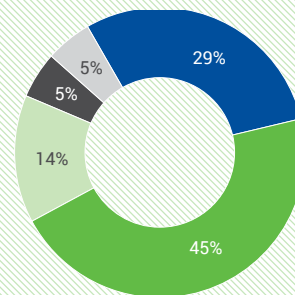
In May 2018 the XRB undertook a stakeholder survey to determine levels of satisfaction with the service XRB provides and stakeholder perception of our performance. 182 respondents completed our survey and the results are below.

- “I speak as a non-accountant! I have very much appreciated some of the ‘plain English’ guidance for non-accountants/ auditors the XRB has issued lately. Would love to see a ‘plain English’ approach to accounting and auditing standards.”
- “Ensure that Standards take Māori concepts into account.”
- “Find a way to interact better with investors in profit focussed entities.”

**SATISFACTION WITH SERVICE**  
QUALITY OF INTERACTION WITH STAKEHOLDERS



**SATISFACTION WITH PERFORMANCE**  
DELIVERY OF FUNDED SERVICES AND XRB'S IMPACT/INFLUENCE



**78%** of stakeholders are satisfied with the service provided by XRB

**74%** of stakeholders are satisfied with the performance provided by XRB

## Charities Commission

In November last year Chartered Accountants Australia and New Zealand (CA ANZ) hosted the NZ Charity Reporting Awards. The new regulations and reporting framework came into force in 2016, built around the accounting standards issued by the XRB.

This awards initiative encourages better participation in the increased accountability and transparency regime, recognises the high achievers, raises the bar for all charities and provides some excellent benchmarks. The XRB encourages these award initiatives as an effective means to increase compliance with our standards.

- “The awards recognise the progress New Zealand’s charities have made to improve transparency and accountability in their financial reporting.”

“The judges were really impressed by the quality and depth of performance information provided by registered charities.”

“It’s been a steep learning curve for many organisations, particularly smaller ones.”

*Peter Vial, New Zealand Country Head for CA ANZ*



2017 NZ Charity Reporting Award winners

# Highlights from 2017-18 (cont'd)

## STUDY ONE – XRB PUBLICATION

### Key Audit Matters: A stocktake of the first year in New Zealand

- Joint publication with the Financial Markets Authority (FMA) which provides an analysis of the new style audit report which includes Key Audit Matters (KAMs). Researchers conducted detailed interviews and an online survey with investors, analysts, auditors, directors and management
- Key Audit Matters are mandatory for all auditors of listed issuers from December 2016 and all FMC reporting entities considered to have higher level of public accountability from December 2018
- Users demanded a change from a binary "pass/fail" type audit report
- What KAMs do:
  - Provide greater transparency about the audit that was performed;
  - Highlight the matters that required the most audit attention; and
  - May provide users with a basis to further engage with management and those charged with governance.
- We saw early adoption of the new form report by some leading entities
- World first auditor's report on the financial statements of the New Zealand Government issued by Office of the Auditor-General including KAMs
- Many audit firms are going beyond the minimum level of compliance requirements.



## STUDY TWO – XRB NEW ZEALAND STANDARD

### PBE FRS 48 Service Performance Reporting

- An original standard developed in New Zealand
- This standard responded to a consistent call for an authoritative pronouncement in this area
- Service performance information (SPI) is information about what the entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information
- New Zealand public sector has for a long time been a leader in service performance reporting
- SPI has recently been introduced to the Not-for-Profit sector with the implementation of the accounting standards framework – thus a desire for some authoritative direction
- PBE FRS 48 Service Performance Reporting is a high-level, principles-based standard due to the wide disparity of size and types of entities needing to assert compliance
- Issued 9th November 2017
- Application is to Tier 1 and Tier 2 public benefit entities
- Application date is 1st January 2021
- A corresponding Audit standard is in final drafting
- There is considerable interest internationally in this project.



# Ownership Performance

## Scope of Business

The XRB's planned scope of business for the year was:

- Accounting and assurance standard setting, and associated strategy setting functions.

The XRB's actual scope of business fell within the planned scope of business at all times during the year.

## Financial Performance

Financial statements for the year ended 30 June 2018 are provided in the Financial Statements of this Annual Report. A summary of the XRB's actual financial performance, compared to budgeted performance, for the year is provided in the table below.

	2017/18 Actual (\$'000)	2017/18 Budget (\$'000)
<b>Financial Measure</b>		
Revenue – Government appropriation	4,410	4,410
Interest – Other	64	17
Expenses	4,814	4,747
Operating Surplus/(Deficit)	(340)	(320)
Equity	2,509	2,391
Net Cash Flows from Operating Activities	(468)	(138)
Net Increase / (Decrease) in Cash	(801)	(340)

## Operating

The reasons for the major variations in specific expense items are outlined in Note 18 to the financial statements.

An operating deficit was generated during the year. This principally resulted from increased costs due to recent initiatives which included new website hosting arrangements and continuous review of the website, costs involved with the IT infrastructure review project and the New Zealand appointment to IAASB. Increased travel costs were incurred as a result of our recent inability to access All of Government rates for Air New Zealand and one additional international flight for two people required during the year. Fees to Board members is also over budget due to extra sub committee work.

The XRB proposes to fund this deficit through retained earnings.

## Capital Expenditure

The XRB's capital expenditure for the year was \$34,000. This expenditure included new computer monitors for staff and accessibility improvements to the website.

## Acquisitions

The XRB did not acquire shares or interests in companies, trusts or partnerships or joint ventures during the period.

# Organisational Capability

The key capability initiatives planned for, and achieved, during the year are outlined in the table below. In summary, all the capability initiatives were achieved.

2017/18 Actual	2017/18 Budget
The XRB retained a full complement of suitably qualified staff	Retaining a near full complement of suitably qualified staff
Both the Wellington and Auckland offices are at full operational capacity and have been for the entire financial year	Maintaining full operational capability in the Wellington and Auckland offices

## Management of Organisational Risks

The XRB's key risk management initiatives planned for the year, together with the actions taken in the year, are outlined in the following table.

	2017/18 Actual	2017/18 Budget
<b>Risk</b>		
Loss of property and equipment	Insurance cover acquired	Insurance of property, plant and equipment
Loss of key staff	Cross training undertaken	Cross training
Loss of key data and records	Offsite backup in place	Offsite backup



# Other Matters

## Employer Information

### Workforce Profile

The XRB received one resignation during the year. The XRB's workforce profile is as follows:

Workforce component	2017/18	2016/17
Employees	18	17
Part-time	4	4
Women	66%	70%
Women in Management Team	50%	50%
Non-Pakeha Ethnicity	17%	17%
Maori	0%	0%
Pacific	0%	0%
Employees with Disabilities	0%	0%

Workforce Age Profile	2017/18	2016/17
Under 30 years of age	1	2
30-39 years of age	5	3
40-49 years of age	5	5
50-59 years of age	4	4
≥60 years of age	3	3

### Good Employer Information

The XRB is an equal opportunity employer and supports and endorses the principles underlying equal opportunity and good employer legislation. The XRB values its employees who are its key resource, and strives to provide a caring, supportive and parent friendly environment which provides equal opportunities for all.

With respect to the seven key elements of being a good and equal opportunity employer the XRB reports as follows:

#### Leadership, Accountability and Culture

The XRB has deliberately established a culture which embraces the "one team" concept. We value hard work, working together as "one team" and celebrating our successes.

Accordingly, all members of the staff team are involved in the creation of the vision, the establishment of work programmes and priorities, the sharing of team achievements, and participating in shaping the future of the organisation.

### Recruitment, Selection and Induction

The XRB operates open and public recruitment processes. Candidates of varying skills and backgrounds are encouraged to apply. The XRB appoints staff solely based on qualifications, experience, understanding of the standard setting process and ability to operate within the "one team" organisational culture. The XRB does not consider age, ethnicity, gender or physical disabilities as part of the appointment process. Nevertheless, the staff team is ethnically, gender and age diverse, comprises a majority of women and includes women in the senior leadership roles.

All new employees undergo an induction process to ensure that they are given the best possible introduction to their role and responsibilities, and the organisational culture of the XRB.

### Employee Development, Promotion and Exit

There is a high degree of interaction between persons in senior leadership roles and other staff. This is designed, amongst other things, to assist with the development of all staff. In addition, a deliberate, organised mentoring approach to develop the standard setting skills of staff with less standard setting experience is operated.

The technical training and personal development of all staff is encouraged and supported. The XRB considers such development to be an essential part of maintaining standard setting capability as well as being necessary for personal motivation and engagement of individual staff members.

A formal process of establishing annual performance agreements and undertaking annual performance reviews (as well as informal performance discussions during the year) is operated. This forms the basis for ongoing dialogue between managers and staff and is also used as the basis for addressing good and poor performance, including remuneration reviews.

### Flexibility and Work Design

The XRB operates in four geographical areas (Wellington, Nelson, Auckland and Christchurch) to ensure we can recruit and retain the best possible staff regardless of their location. The organisation has four part-time staff members. We permit staff to work remotely where appropriate. The XRB is output, rather than input, focused and operates a policy of flexible hours designed to accommodate the needs of its staff.



**Remuneration, recognition and conditions**

Staff salaries are reviewed by the Chief Executive on an annual basis, considering individual performance, market conditions, and any advice from the State Services Commission relating to remuneration setting. External providers are used to provide job sizing and market data to ensure that remuneration is market related.

The XRB's gender pay gap has improved to negative (5.05%) (2017: positive 1%).

The gender pay gap is calculated by the median hourly rate method as recommended by Statistics New Zealand.

The gender pay gap for the staff involved in standard setting (the main professional group in the XRB) is 11.49% (2017: 8.46%). The gap reflects the differing seniority (and therefore salaries) of various positions in the XRB organisation.

**Harassment and Bullying Prevention**

The XRB has zero tolerance for any form of bullying or harassment and is not aware of any instances of bullying and harassment during the financial year. Policies and procedures covering harassment and bullying are in place.

**Safe and Healthy Environment**

The XRB promotes a positive work environment that celebrates events in people's lives and encourages healthy, positive interaction between staff members.

The XRB is committed to ensuring that staff are kept safe and healthy. The organisation has trained first aiders and fire wardens. All offices have a civil defence emergency kit and all staff are encouraged to be prepared in the event of a natural disaster. Workplace assessments and modern desk equipment are provided to ensure employee's comfort at their desks.

All staff are encouraged to take their annual leave in the period they earn it. Staff are also able to access a confidential Employee Assistance Program.

## Other Information Required by the Crown Entities Act 2004

In relation to the requirements of section 151 of the Crown Entities Act 2004, the following information is provided:

- In April 2014, the XRB was given a direction by the Minister of State Services and Minister of Finance pursuant to section 107 of the Crown Entities Act 2004 to apply the Government Rules of Sourcing with effect from 1 February 2015.

- The XRB did not undertake any transactions that were in breach of statute but validated in accordance with section 20 of the Crown Entities Act 2004.

The XRB did not grant permission to any board member to act despite being interested in a matter in accordance with section 68 of the Crown Entities Act 2004.

# Statement of Performance

For the year ended 30 June 2018

In this Part, we report on the services we were funded to deliver in 2017/18, how we delivered those services and the impact/influence we had on our outcome goal.

## Funding of Services

The External Reporting Board (XRB) is funded by a gross appropriation under Vote: *Business, Science and Innovation* administered by Ministry of Business, Innovation and Employment (MBIE). The single overarching purpose of this appropriation is to support high quality financial reporting through the activities of the XRB. This appropriation is limited to the funding of one reportable class of outputs. The description of this output class is: accounting, audit & assurance standards setting and associated strategy setting functions.

Output Class	2017/18 Actual	2017/18 Budget	2016/17 Actual
<b>Description</b>	All activities undertaken during the year were within this description	All activities undertaken during the year will be within this description	All activities undertaken during the year were within this description
<b>Financial reporting and assurance standard setting and associated strategy setting functions</b>			
<b>Revenue from the Crown* (\$000)</b>	4,410	4,410	4,410
<b>Revenue from Others (\$000)</b>	64	17	19
<b>Expenses (\$000)</b>	4,814	4,747	4,302
<b>Operating Surplus/(Deficit) (\$000)</b>	(340)	(320)	127

\* The appropriation revenue received by the XRB equals the Government's actual expenses incurred in relation to the appropriation, which is a required disclosure from the Public Finance Act 1989.

In the following pages (18-24) we set out, for this appropriated output class (and the individual outputs that make up the class):

- The scope and what is intended to be achieved;
- The assessment of our performance;
- An explanation of our performance (if relevant); and
- Financial performance.

## Overall Performance Statement

This output class is intended to achieve the development and issuing of accounting and auditing & assurance standards and associated documents that align with international standards and are harmonised with Australian standards where applicable.

Performance will be assessed by the extent to which the accounting and audit & assurance standards on issue in New Zealand are converged with international standards and harmonised with Australian standards, where applicable.

Assessment of performance	2017/18 Actual standard of performance	2017/18 Budgeted standard of performance	2016/17 Actual standard of performance
Number of amendments to accounting standards Tier Strategy submitted to the Minister for approval	No amendments required	As required: expected to be 0	No amendments required
Number of exposure drafts, standards and related documents issued (depends on output of three International Boards)	35	27-44	54
Standards reflect relevant international standards with departures only to improve quality and are harmonised with Australia where applicable	100% compliance	100% compliance	100% compliance
Statutory due process requirements followed	100% compliance	100% compliance	100% compliance
Standards relating to existing standards suites issued in time for the commencement date to be no later than the international commencement date (where relevant)	100% compliance	100% compliance	100% compliance

\* See pages 22-24 for variance explanation

## Strategic Intentions

Our Statement of Intent sets out forward-looking measures for our performance, reflecting delivery against our strategic intentions. In this Annual Report, we report on measures in our Statement of Intent for the 2014-2019 period, which was published in 2014 and updated in 2017. The strategic intentions of the XRB, which provided the strategic context for the 2017/18 Statement of Performance Expectations, are summarised as follows:

- Existing suites of standards are maintained to reflect changes to international standards and, where necessary, enhanced to address any deficiencies or gaps that are critical to user-needs and the quality of financial reporting;
- Undertaking organised research into the financial and non-financial information needs of the various users of XRB 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;
- Actively seeking to influence the agenda and standards development work of the international standard setting boards based on two broad (and interconnected) approaches: relationships and participation;
- Continuing to enhance constituency engagement and support; and
- Maintaining 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.

## Outcome Goal – Performance Statement

We have three outcomes which, through the above-mentioned strategic intentions, we seek to impact and influence. The XRB's Outcome Goal is: the establishment of accounting and audit & assurance standards that:

- Engender confidence in New Zealand financial reporting;
- Assist entities to compete internationally; and
- Enhance entities' accountability to stakeholders.

The XRB pays explicit and deliberate attention to ensuring that it is contributing to the three elements of the XRB Outcome Goal. However, measuring the change in outcome status, and the extent to which XRB contributed to that change, is a non-precise task.

The performance measures established against our outcome goal and the highlighting and explaining of the impacts and influences we achieved, for the 2017/18 financial year, are included in the table below:



### Increased confidence

**Sound, coherent financial reporting strategy and standards frameworks that ensure stability, appropriateness and legislative alignment**

XRB Outcomes	XRB Outcome Measures 2017/18
<ul style="list-style-type: none"> <li>• Enduring policy of international convergence/harmonisation, sector-specific standards and Tier Structure</li> <li>• Consistency of standards frameworks with legislative frameworks</li> <li>• Timely reflection of legislative changes in XRB's standards</li> <li>• Reliability of financial reporting strategy and standards frameworks that require infrequent changes</li> <li>• Responsiveness and timeliness of standards frameworks to legislative changes and stakeholder feedback</li> <li>• Number of requests for and timeliness of changes to standards frameworks</li> </ul>	<ul style="list-style-type: none"> <li>• There has been no change to the policy of adopting international standards, sector-specific standards or the Tier Strategy in the 2017/18 financial year. The Minister was not required to approve any new, or amended, strategy or framework.</li> <li>• There were no legislative changes in the 2017/18 financial year that required significant amendments to standards frameworks. The standards frameworks continue to be aligned with the relevant legislative frameworks. The XRB is awaiting the passing of the proposed new Incorporated Societies legislation before reviewing, and aligning where necessary, the standards framework with the new legislation.</li> <li>• The XRB continues to hold discussions with policy makers and other key stakeholders and makes submissions on relevant consultation documents.</li> </ul>



### Improved competition

**Converged and harmonised accounting and assurance standards that ensure comparability and reduced cost of capital**

XRB Outcomes	XRB Outcome Measures 2017/18
<ul style="list-style-type: none"> <li>• Continuation of XRB's policy on influencing international boards</li> <li>• Independent reports/studies/comment on New Zealand's:               <ul style="list-style-type: none"> <li>- international competitiveness/competitive position</li> <li>- ranking attributable to accounting and assurance standards</li> <li>- reaction to international reporting trends</li> </ul> </li> <li>• Responsiveness of standards to new (or amended) international standards</li> <li>• Number of requests for New Zealand-specific amendments to standards that are not related to legislative or standards frameworks</li> </ul>	<ul style="list-style-type: none"> <li>• The XRB continued with its policy of influencing international boards in the 2017/18 financial year, with standards board members and/or staff visiting, attending, participating in and, in some instances, presenting to various international meetings and forums. This included the presentation to the National Standard Setters on the audit of service performance information and the challenges we have encountered in developing the Standard.</li> <li>• The XRB's policy of influencing the work of international boards also included hosting visits to New Zealand by international board members and/or key staff from the IASB, the International Public Sector Accounting Standards Board (IPSASB) and the International Auditing and Assurance Standards Board (IAASB).</li> <li>• New Zealand's influence on the international boards was further strengthened in the 2017/18 financial year through New Zealand's appointment to the IFRS Advisory Council.</li> <li>• The XRB supported the formation of a Project Advisory Panel (PAP) to assist the IAASB with its project on Assurance on Extended External Reporting. We were successful in having two New Zealand specialists appointed to this PAP.</li> <li>• The XRB and its two sub-Boards continue to make submissions to International Boards on relevant governance, framework and standards consultation and due process documents. The achievement of responsiveness to new (or amended) international standards is reflected in the quantity, quality and timeliness measures of the output of each Board<sup>1</sup>.</li> <li>• New Zealand continues to rank highly for the strength of its auditing and reporting standards. In the <i>Strength of Auditing and Reporting Standards Index</i> in the Global Competitiveness Report 2017-2018<sup>2</sup> by the World Economic Forum, New Zealand ranked 4th out of 137<sup>3</sup> countries for the strength of its auditing and reporting standards (compared to 4th out of 138 countries in 2016-2017).</li> <li>• The International Monetary Fund's Financial System Stability Assessment of New Zealand (April 2017) lists the Preconditions for Effective Banking Supervision. "Strong independent professions (legal, accounting and actuarial) and adherence to international and professional standards (IFRS, actuarial standards, etc.)" are factors contributing to New Zealand having "...a well-developed public infrastructure to support its financial system".<sup>4</sup></li> <li>• The XRB continues to monitor overseas practices and developments on non-financial reporting, including the IASB's projects on wider corporate reporting and the International Integrated Reporting Council (IIRC) work in responding to users needs for more than just financial information. The XRB is also working actively to raise awareness among entities on the importance of extended external reporting (EER), including information on sustainability, diversity, business risks, corporate governance and relationships with stakeholders and the manner in which they are reported. This is to ensure New Zealand entities keep pace with international developments and practices in EER.</li> </ul>

<sup>1</sup> See the Performance Statements for Output 1, Output 2 and Output 3 for the quality and timeliness measures and the footnotes under Output 1, Output 2 and Output 3 for the number of submissions made by each Board.

<sup>2</sup> Global-competitiveness-index 2017-2018. [www.weforum.org/reports/the-global-competitiveness-report-2017-2018](http://www.weforum.org/reports/the-global-competitiveness-report-2017-2018)

<sup>3</sup> New Zealand is assigned the 4th rank in 2017-2018, its rating of 6.3 out of 7 is the slightly lower than the prior year at 6.4 out of 7.

<sup>4</sup> International Monetary Fund, New Zealand Financial System Stability Assessment, 10 April 2017 (pp.55-56) IMF-releases-New-Zealand-FSAP-findings-and-recommendations.



### Improved accountability

Accounting and assurance standards that ensure financial/corporate reports and auditors' reports are transparent, comparable, complete and appropriate

XRB Outcomes	XRB Outcome Measures 2017/18
<ul style="list-style-type: none"> <li>• Continuation of XRB's policy of ensuring corporate information meets user needs using findings from XRB and independent New Zealand user-needs research</li> <li>• Independent reports/ studies/comment about:               <ul style="list-style-type: none"> <li>- transparency and understandability of reported corporate information</li> <li>- audit quality</li> <li>- stakeholder awareness of wider corporate reporting and non-financial reporting matters</li> </ul> </li> <li>• Responsiveness and timeliness of standards to legislative changes and stakeholder feedback</li> <li>• Number of New Zealand requests for, and timeliness of changes to standards</li> <li>• Independent feedback from other regulatory bodies about the requirements of standards</li> </ul>	<ul style="list-style-type: none"> <li>• The XRB continues to carry out user-needs research and surveys to help ensure our standards are "fit-for-purpose". This financial year the XRB has published, in conjunction with the FMA, the results of its survey "<i>Key Audit matters – A stocktake of the first year in New Zealand</i>".</li> <li>• The XRB collaborated with the McGuinness Institute to publish the results of a survey on the "state of play" of extended external reporting (EER) in New Zealand. The surveys, from both preparer and user perspectives, aimed to determine if user needs for EER information is being met by listed and large New Zealand entities.</li> <li>• The XRB has actively engaged with its not-for-profit stakeholders and Charities Services to monitor the second year of implementation of PBE accounting standards.</li> <li>• An internal survey by Charities Services on the use of accounting standards by registered charities for the second 12 months of applying the accounting standards indicates that, as at July 2018, 85% (2017: 65%) of registered charities across all four tiers of reporting prepared their financial statements using some or all of the new accounting standards. Of these, 100% (2017: 100%) of Tier 1 entities, 100% (2017: 96%) of Tier 2 entities, 98% (2017: 89%) of Tier 3 entities and 72% (2017: 56%) of Tier 4 entities were using some or all of the Standards.</li> </ul>

## Outputs – Performance Statement

As detailed earlier, the XRB specified three key outputs for the 2017/18 year;

**Output 1:** Developing Financial Reporting Strategy;

**Output 2:** Developing and issuing Accounting Standards; and

**Output 3:** Developing and issuing Audit & Assurance Standards.

All three outputs were delivered during the year and all performance measures and targets specified for those outputs were met. The output of the international boards fluctuates and this is reflected in the XRB's output delivery for the year.

The performance measures established for our three outputs and the achievements during 2017/18 are included in the table below:

<b>Output 1: Developing Financial Reporting Strategy</b>	<b>2017/18 Actual \$'000</b>	<b>2017/18 Budget \$'000</b>	<b>2016/17 Actual \$'000</b>
<b>Revenue from the Crown</b>	<b>529</b>	<b>529</b>	<b>529</b>
<b>Actual expenses</b>	<b>383</b>	<b>361</b>	<b>407</b>
<b>Attributed Overhead costs and other revenue</b>	<b>141</b>	<b>131</b>	<b>127</b>
<b>Quantity</b>			
Number of standards frameworks being monitored	3	3	3
Number of amendments to accounting standards Tier Strategy submitted to Minister for approval	No amendments required	As required: expected to be 0	No amendments required
Undertake user needs research projects to confirm the framework and standards are fit for purpose	Finalised three projects and commenced nil projects*	Finalise two projects and commence two projects	New performance measure from 2017/18
<b>Quality</b>			
Standards frameworks monitoring ensures consistency with international convergence and Australian harmonisation strategy, and approved Tier Strategy	100% consistent	100% consistent	100% consistent
Amendments to Tier Strategy consistent with statutory requirements and consistent with the Government's trans-Tasman outcome goals (degree of consistency determined by the XRB Board)	100% consistent No amendments were submitted to the Minister for approval	100% consistent No amendments required to be submitted to the Minister for approval	100% consistent No amendments were submitted to the Minister for approval
<b>Timeliness</b>			
Monitoring of standards frameworks	Ongoing throughout the year	Ongoing throughout the year	Ongoing throughout the year
Amendments to Tier Strategy	No amendments required	As required	No amendments required

In addition to the above, the following submissions to consultations were also made during the year:

- To international standard setting boards or other international organisations: 1 (2016/17: 2)
- To domestic organisations: 2 (2016/17: 4)

### Explanation of major variance

\* Budget had provided for two research projects to commence during the year. One research project has been deferred until 2018/19 and the second research project was not needed.

<b>Output 2: Developing and Issuing Accounting Standards</b>	<b>2017/18 Actual \$'000</b>	<b>2017/18 Budget \$'000</b>	<b>2016/17 Actual \$'000</b>
<b>Revenue from the Crown</b>	<b>2,470</b>	<b>2,470</b>	<b>2,470</b>
<b>Actual expenses</b>	<b>2,081</b>	<b>2,152</b>	<b>1,912</b>
<b>Attributed Overhead costs and other revenue</b>	<b>657</b>	<b>609</b>	<b>591</b>
<b>Quantity</b>			
Number of exposure drafts and other due process documents issued relating to implementing the accounting standards framework	0*	1	1
Number of standards and related documents issued relating to implementing the accounting standards frameworks	3^	1	0
Number of exposure drafts and other due process documents relating to existing accounting standards suites issued (mainly dependent on the output of international Boards)	13	12-18	15
Number of standards and related documents relating to existing accounting standards suites issued (mainly dependent on the output of international Boards)	11	7-13	16
Number of projects undertaken on behalf of international accounting standard setters	1#	2	1
<b>Quality</b>			
Due process documents and standards reflect approved Tier Strategy (degree of compliance determined by NZASB)	100% compliance	100% compliance	100% compliance
Statutory due process requirements followed	100% compliance	100% compliance	100% compliance
Standards reflect relevant international standards with departures only to improve quality (quality improvement determined by NZASB)	100% compliance	100% compliance	100% compliance
For-profit standards harmonised with Australia where appropriate	100% compliance	100% compliance	100% compliance
<b>Timeliness</b>			
Due process documents and standards relating to the accounting standards framework issued in accordance with timeline established by the Board (usually not less than 90 days)	100% compliance	100% compliance	100% compliance
Due process documents and standards relating to existing accounting standards suites issued in time for the commencement date to be no later than the international commencement date (where relevant)	100% compliance	100% compliance	100% compliance

In addition to the above, the following submissions to consultations were also made during the year:

- To national or international standard setting boards: 9 (2016/17: nil)

#### **Explanation of major variances**

\* Budget had provided for amendments for legislative changes but the legislation has not been finalised.

^ Two documents were not included in the budget.

# Level of input changed for an international project from project management to a consultative role.

<b>Output 3: Developing and Issuing Auditing &amp; Assurance Standards</b>	<b>2017/18 Actual \$'000</b>	<b>2017/18 Budget \$'000</b>	<b>2016/17 Actual \$'000</b>
<b>Revenue from the Crown</b>	<b>1,411</b>	<b>1,411</b>	<b>1,411</b>
<b>Actual expenses</b>	<b>1,110</b>	<b>1,129</b>	<b>908</b>
<b>Attributed Overhead costs and other revenue</b>	<b>375</b>	<b>348</b>	<b>338</b>
<b>Quantity</b>			
Number of exposure drafts and other due process documents relating to auditing & assurance standards issued (mainly dependent on the output of international boards)	6	3-6	11
Number of auditing & assurance standards and related documents issued (mainly dependent on the output of international boards)	2*	3-5	11
<b>Quality</b>			
Statutory due process requirements followed	100% compliance	100% compliance	100% compliance
Standards reflect relevant international standards with departures only to improve quality (quality improvement determined by the NZAuASB)	100% compliance	100% compliance	100% compliance
Standards harmonised with Australia where appropriate	100% compliance	100% compliance	100% compliance
<b>Timeliness</b>			
Due process documents and standards issued in time for the commencement date to be no later than the international commencement date (where relevant)	100% compliance	100% compliance	100% compliance

In addition to the above, the following submissions to consultations were also made during the year:

- Submissions to national or international standard setting boards: 7 (2016/2017: 7)

**Explanation of major variances**

- \* Variance resulted from less than expected output from the International Boards.



# Statement of Responsibility

For the year ended 30 June 2018

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In terms of the Crown Entities Act 2004, the Board is responsible for the preparation of the External Reporting Board's financial statements and the Statement of Performance, and for the judgements made in them.

The Board is responsible for any year end performance information provided by the External Reporting Board under section 19A of the Public Finance Act 1989.

The Board has the responsibility for establishing, and has established and maintained, a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these financial statements and the Statement of Performance fairly reflect the financial position and operations of the External Reporting Board for the year ended 30 June 2018.

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For the External Reporting Board 18 October 2018



**Graeme Mitchell**  
Chair



**Michele Embling**  
Deputy Chair

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## Financial Statements

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# Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2018

	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
<b>Revenue</b>				
Revenue from the Crown		4,410	4,410	4,410
Interest received		64	17	19
<b>Total Revenue</b>		<b>4,474</b>	<b>4,427</b>	<b>4,429</b>
<b>Expenses</b>				
Personnel costs		2,465	2,629	2,265
Fees to board members	(1)	673	630	643
General operating costs		261	183	262
Travel		371	337	285
Contributions to IASB & IPSASB		300	300	300
Premises expenses		193	190	178
Depreciation and amortisation	(2,6,7)	119	177	71
Website / IT costs		198	80	93
Miscellaneous costs		1	8	1
Professional fees		143	151	130
Audit fees for financial statements		25	27	25
Research Expenses		65	35	49
<b>Total Expenses</b>		<b>4,814</b>	<b>4,747</b>	<b>4,302</b>
<b>Surplus/(Deficit) and Total Comprehensive Revenue and Expense</b>		<b>(340)</b>	<b>(320)</b>	<b>127</b>

Explanations of major variances to budget are provided in Note 18.

The Statement of Accounting Policies and the Notes to the Financial Statements form part of and are to be read in conjunction with the Statement of Comprehensive Revenue and Expense.

# Statement of Financial Position

As at 30 June 2018

	Notes	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
<b>Equity</b>				
Contributed Capital		725	725	725
Accumulated Surpluses:				
Opening accumulated surplus		2,124	1,986	1,997
Current year surplus / (deficit) and total comprehensive revenue and expense		(340)	(320)	127
<b>Total Equity</b>		<b>2,509</b>	<b>2,391</b>	<b>2,849</b>
<b>Current Assets</b>				
Cash at bank		438	352	1,239
Receivables		21	15	8
GST Receivable		24	0	0
Prepayments		61	23	43
Investments	(3)	2,025	2,000	1,719
<b>Total Current Assets</b>		<b>2,569</b>	<b>2,390</b>	<b>3,009</b>
<b>Current Liabilities</b>				
Payables	(4)	229	330	433
Employee entitlements	(5)	161	150	152
<b>Total Current Liabilities</b>		<b>390</b>	<b>480</b>	<b>585</b>
<b>Working Capital</b>		<b>2,179</b>	<b>1,910</b>	<b>2,424</b>
<b>Non-Current Assets</b>				
Property, plant & equipment	(6)	194	294	228
Intangible assets	(7)	156	207	212
<b>Total Non-Current Assets</b>		<b>350</b>	<b>501</b>	<b>440</b>
<b>Non Current Liabilities</b>				
Provisions	(8)	20	20	15
<b>Total Non Current Liabilities</b>		<b>20</b>	<b>20</b>	<b>15</b>
<b>Total Net Assets</b>		<b>2,509</b>	<b>2,391</b>	<b>2,849</b>

Explanations of major variances to budget are provided in Note 18.

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

# Statement of Movements in Equity

For the year ended 30 June 2018

	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
<b>Equity as at 1 July</b>	2,849	2,711	2,722
Total Comprehensive Revenue and Expense	(340)	(320)	127
<b>Equity as at 30 June</b>	<b>2,509</b>	<b>2,391</b>	<b>2,849</b>

# Statement of Cash Flows

For the year ended 30 June 2018

	Actual 2018 \$'000	Budget 2018 \$'000	Actual 2017 \$'000
<b>Cash Flows from Operating Activities</b>			
Cash was provided from:			
Revenue from the Crown	4,410	4,410	4,410
Interest received	57	23	19
	4,467	4,433	4,429
Cash was disbursed to:			
Payments to employees	2,455	2,694	2,217
Payments to suppliers	2,180	1,577	1,671
Contributions to international standards boards	300	300	300
	4,935	4,571	4,188
<b>Net Cash Flow from Operating Activities</b>	<b>(468)</b>	<b>(138)</b>	<b>241</b>
<b>Cash flows from Investing Activities</b>			
Cash was provided from:			
Sale of fixed assets	7	0	0
Cash was disbursed to:			
Investment	306	0	1,507
Purchase of Property, plant & equipment	26	202	40
Intangibles	8	0	205
	<b>333</b>	<b>202</b>	<b>1,752</b>
<b>Net Cash Flow from Investing Activities</b>	<b>(333)</b>	<b>(202)</b>	<b>(1,752)</b>
Net Increase/Decrease in Cash	(801)	(340)	(1,511)
Add Opening Cash Balance	1,239	692	2,750
<b>Closing Cash Balance</b>	<b>438</b>	<b>352</b>	<b>1,239</b>

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

# Statement of Accounting Policies

For the year ended 30 June 2018

## a) Reporting Entity

The XRB was established by the Financial Reporting Act 1993, with continued existence under the Financial Reporting Act 2013. All members of the XRB Board are appointed by the Governor General on the recommendation of the Minister of Commerce and Consumer Affairs.

The XRB is an Independent Crown Entity under the Crown Entities Act 2004. It is responsible for financial reporting strategy, and preparing and issuing both accounting and auditing & assurance standards. This includes all the functions relating to the setting of accounting standards for entities required to apply or opt to apply External Reporting Board accounting standards, and auditing & assurance standards for auditors providing assurance required by statute.

The XRB has designated itself a public benefit entity (PBE) for financial reporting purposes.

The financial statements for the XRB are for the year ended 30 June 2018 and were approved by the XRB Board on 18 October 2018.

## b) Basis of Preparation

### Statement of Compliance

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

The financial statements of the XRB have been prepared in accordance with the requirements of section 154 of the Crown Entities Act 2004, which includes the requirement to comply with generally accepted accounting practice ("GAAP"). Specific disclosures required under section 152 of the Crown Entities Act 2004 are disclosed in the notes to the financial statements.

These financial statements have been prepared in accordance with PBE Standards RDR. The criteria under which the XRB is eligible to report in accordance with PBE Standards RDR are:

- The XRB does not have public accountability as defined in XRB A1 Accounting Standards Framework (For-profit Entities plus Public Sector Public Benefit Entities plus Not-for-profit Entities Update) and
- The XRB has total expenses between \$2 million and \$30 million.

These financial statements comply with PBE Standards (RDR).

### Measurement base

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

### Functional, presentation currency and rounding

The financial statements are presented in New Zealand dollars. The functional currency of the XRB is New Zealand dollars. All values are rounded to the nearest thousand dollars (\$'000) unless otherwise specified.

### Changes in accounting policies

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

## c) Summary of Significant Accounting Policies

### Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is recognised when earned and is reported in the financial period to which it relates.

### Revenue from the Crown

The XRB is primarily funded through revenue received from the Crown, which is restricted in its use for the purpose of the XRB meeting its objectives as specified in the Statement of Intent.

The XRB considers that there are no conditions attached to the Crown funding and as such it is recognised as revenue at the point of entitlement.

### Interest

Interest income is recognised using the effective interest rate method.

### Goods and Services Tax (GST)

All items in the financial statements are presented exclusive of GST, except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as an input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, Inland Revenue is included as part of receivables or payables in the statement of financial position.

### Income Tax

The XRB is exempt from the payment of income tax. Accordingly, no provision for income tax has been made.

### Budget figures

The budget figures are derived from the Statement of Performance Expectations as approved by the XRB Board at the beginning of the financial year. The budget figures have been prepared in accordance with GAAP, using accounting policies that are consistent with those adopted by the XRB for the preparation of these financial statements.

### Operating Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset to the XRB are classified as operating leases. Payments are recognised as an expense on a straight-line basis over the term of the lease in the Statement of Comprehensive Revenue and Expense when payable. The XRB has operating leases on its two premises at 50 Manners Street, Wellington and 55 Shortland Street, Auckland.

### Cost Allocation

XRB has determined the cost of outputs using the cost allocation system outlined below.

Direct costs are costs directly attributed to an output. Attributed overhead costs and other revenues are amounts that cannot be attributed to a specific output in an economically feasible manner.

Direct costs are charged directly to outputs. Overheads and other Revenue are charged to Outputs based on cost drivers or usage information.

There have been minor changes in the cost allocation percentages, reflecting the activity within each output.

# Notes to the Financial statements

For the year ended 30 June 2018

## 1. Fees to board members

The fees to board members include the following fees paid to XRB Board members.

	Meetings Attended 2018	Board Fees 2018 \$	Other Fees 2018 \$	Total 2018 \$
<i>Total meetings held for the year</i>	6			
Michael Bradbury	6/6	15,525	1,350	16,875
Simon Carey	5/6	13,500	1,593	15,093
Bill Edge – Financial Reporting Council (FRC)	6/6	0	0	0
Michele Embling – Deputy Chair	5/6	12,450	2,505	14,955
Kimberley Crook	6/6	13,500	163,300	176,800
John Kensington	5/6	13,420	18,820	32,240
Graeme Mitchell – Chair	6/6	15,717	28,850	44,567
Jane Taylor	5/6	14,770	1,350	16,120
Fergus Welsh	6/6	0	0	0
<b>Total Board Fees</b>		<b>98,882</b>	<b>217,768</b>	<b>316,650</b>

	Meetings Attended 2017	Board Fees 2017 \$	Other Fees 2017 \$	Total 2017 \$
<i>Total meetings held for the year</i>	6			
Mike Bradbury	2/2	5,240	1,310	6,550
Simon Carey	6/6	13,074	1,965	15,039
Neil Cherry	3/3	0	0	0
Annabel Cotton	1/3	2,594	0	2,594
Kimberley Crook	6/6	8,476	151,730	160,206
Bill Edge – (FRC)	2/3	0	0	0
Michele Embling – Deputy Chair	6/6	12,075	2,939	15,014
John Kensington	3/3	7,860	19,611	27,471
Graeme Mitchell – Chair	6/6	15,783	63,536	79,319
Jane Taylor	4/6	10,402	0	10,402
Fergus Welsh	6/6	0	0	0
<b>Total Board Fees</b>		<b>75,504</b>	<b>241,091</b>	<b>316,595</b>

Each Board members other fees include participation in the annual strategy planning meeting.

Other fees payable to Simon Carey include his participation on the Nominations Committee.

Bill Edge is the Australian FRC representative and as such is not remunerated.

Other fees payable to Michele Embling include her role as Chair of the Nominations Committee.

Kimberley Crook is the Chair of the NZASB and is also a member of the AASB. Kimberley is also a member of the ASAF and attends international fora on behalf of the NZASB. Kimberley is also a participant on the Nominations Committee.

John Kensington is a member of the NZAuASB Board and Other Fees relates to fees paid for his role on the NZAuASB.

Graeme Mitchell is Chair of the XRB and is also the XRB representative on the Australian Financial Reporting Council (FRC).

Fergus Welsh is a state servant and accordingly is not remunerated as a Board member.

# Notes to the Financial statements

For the year ended 30 June 2018

## Board Committee Remuneration:

The XRB has two Committees – the New Zealand Accounting Standards Board (NZASB) and the New Zealand Auditing and Assurance Board (NZAuASB). The remuneration of members of these boards (other than members who are also members of the XRB Board) is as follows:

	Meetings Attended 2018	Board Fees 2018 \$	Other Fees 2018 \$	Total 2018 \$
<b>NZASB</b>				
<i>Total meetings held for the year</i>	10			
Nives Botica-Redmayne	7/10	18,900	2,193	21,093
Todd Beardsworth	10/10	0	0	0
Francis Caetano	10/10	26,325	1,350	27,675
Kimberley Crook – Chair	10/10	0	0	0
Charles Hett	6/10	22,195	1,350	23,545
Karl Hickey	10/10	23,148	1,080	24,228
Lyn Hunt – Deputy Chair	8/10	19,528	7,591	27,119
Kris Peach – Australian Accounting Standards Board (AASB)	8/10	0	0	0
Angela Ryan – Deputy Chair	4/10	0	0	0
Richard Smyth	8/10	19,575	1,350	20,925
<b>Total Committee Fees</b>		<b>129,671</b>	<b>14,914</b>	<b>144,585</b>

	Meetings Attended 2017	Board Fees 2017 \$	Other Fees 2017 \$	Total 2017 \$
<b>NZASB</b>				
<i>Total meetings held for the year</i>	8			
Stephanie Allan	7/8	18,314	1,297	19,611
Todd Beardsworth	8/8	0	0	0
Francis Caetano	8/8	20,882	6,589	27,471
Carolyn Cordery	4/4	10,480	0	10,480
Kimberley Crook – Chair	8/8	0	0	0
Charles Hett	7/8	18,288	1,310	19,598
Karl Hickey	8/8	19,585	1,048	20,633
Lyn Hunt	7/8	18,262	7,283	25,545
Kris Peach – Australian Accounting Standards Board (AASB)	8/8	0	0	0
Angela Ryan – Deputy Chair	7/8	0	0	0
<b>Total Committee Fees</b>		<b>105,811</b>	<b>17,527</b>	<b>123,338</b>

The AASB representative on the NZASB is not remunerated.

Both Todd Beardsworth and Angela Ryan are state servants and as such are not remunerated. Angela Ryan was granted leave of absence from the Board from January 2018 to July 2018.

Kimberley Crook's fees are included in amounts reported for XRB Board members in the first two tables of this Note.

Other fees are payments made in relation to time spent on other matters over and above attendance at board meetings.



<b>NZAuASB</b>	<b>Meetings Attended 2018</b>	<b>Board Fees 2018 \$</b>	<b>Other Fees 2018 \$</b>	<b>Total 2018 \$</b>
<i>Total meetings held for the year</i>	6			
Robert Buchanan – Chair	6/6	19,696	69,440	89,136
Clyde D'Souza	6/6	18,820	1,350	20,170
Craig Fisher	4/6	13,520	5,886	19,406
John Kensington – Deputy Chair	5/6	0	0	0
Chong Lim	5/6	0	0	0
Ian Marshall	6/6	18,820	2,108	20,928
Marje Russ	5/6	17,510	12,805	30,315
Karen Shires	6/6	14,095	0	14,095
Roger Simnett – Australian Audit and Assurance Board (AUASB)	5/6	0	0	0
Rowena Sinclair	5/6	13,420	4,195	17,615
<b>Total Committee Fees</b>		<b>115,881</b>	<b>95,784</b>	<b>211,665</b>

<b>NZAuASB</b>	<b>Meetings Attended 2017</b>	<b>Board Fees 2017 \$</b>	<b>Other Fees 2017 \$</b>	<b>Total 2017 \$</b>
<i>Total meetings held for the year</i>	6			
Robert Buchanan	6/6	19,377	66,682	86,059
Clyde D'Souza	4/6	9,668	1,310	10,978
Craig Fisher	6/6	18,410	11,955	30,365
Pat Heslin	5/6	15,694	1,310	17,004
John Kensington – Deputy Chair	6/6	0	0	0
Chong Lim	6/6	0	0	0
Marje Russ	5/6	16,965	6,368	23,333
Karen Shires	5/6	12,720	1,310	14,030
Roger Simnett – Australian Audit and Assurance Board (AUASB)	1/1	0	0	0
Rowena Sinclair	6/6	15,720	5,212	20,932
<b>Total Committee Fees</b>		<b>108,554</b>	<b>94,147</b>	<b>202,701</b>

Robert Buchanan was appointed Chair of the NZAuASB 1 July 2016. Robert is also the NZAuASB representative on the Australian Auditing and Assurance Standards Board (AUASB) and attends international fora on behalf of the NZAuASB. Robert is also a participant on the Nominations Committee.

John Kensington is also a member of the XRB Board and as such, his fees for his role on the NZAuASB are included in the first table of this note.

Chong Lim is a state servant and accordingly is not remunerated as a Board member.

Ian Marshall was appointed to the NZAuASB 1 July 2017.

The Australian Auditing and Assurance Standards Board (AUASB) representative on the NZAuASB is not remunerated by the XRB.

Other fees are payments made in relation to time spent on other matters over and above attendance at board meetings.

# Notes to the Financial statements

For the year ended 30 June 2018

## 2. Depreciation and Amortisation

### Accounting Policy

#### Depreciation:

Depreciation is calculated so as to write off the cost over the expected useful lives of the assets from the date they are brought into use.

Straight line depreciation is charged at the following rates:

• Furniture and Fittings	10.5%
• Plant and Equipment	30%
• Property Improvements	7%
• Computer Equipment	40%

#### Amortisation:

The carrying value of an asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date the asset is derecognised. The amortisation charge for the financial year is expensed in the surplus or (deficit).

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

• Software	40%
• Website	25%

	Actual 2018 \$'000	Actual 2017 \$'000
<b>Depreciation and Amortisation</b>		
Depreciation	56	45
Amortisation	63	26
<b>Total Depreciation and Amortisation</b>	<b>119</b>	<b>71</b>

## 3. Investments

### Accounting Policy

Investments in bank deposits are initially measured at the amount invested. After initial recognition, investments in bank deposits are measured at amortised cost using the effective interest rate method, less any provision for impairment.

	Actual 2018 \$'000	Actual 2017 \$'000
BNZ Term Deposits	2,025	1,719
<b>Total Investments</b>	<b>2,025</b>	<b>1,719</b>

The XRB has three term deposits at 30 June 2018:

\$231,273 maturing September 2018 at 3.21%

\$1,023,868 maturing July 2018 at 3.18%

\$770,008 maturing December 2018 at 3.37%

The carrying amount of term deposits approximates their fair value.

The BNZ has an AA- rating with Standard and Poors.

## 4. Payables

### Accounting Policy

Payables are initially measured at face value. After initial recognition, they are measured at amortised cost using the effective interest rate method.

	Actual 2018 \$'000	Actual 2017 \$'000
Creditors	169	143
Accruals	60	61
GST payable	0	229
<b>Total Payables</b>	<b>229</b>	<b>433</b>

Payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of payables approximates their fair value.

At 30 June 2018, the XRB has a GST receivable due to a change in IRD filing from six monthly to bi-monthly filing.

## 5. Employee Entitlements

### Accounting Policy

#### Short term employee benefits

Employee benefits that are due to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries accrued up to balance date and annual leave earned but not yet taken at balance date.

A liability and expense are recognised for performance incentives where there is a contractual obligation.

#### Superannuation schemes

#### Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as a defined contribution superannuation scheme and are recognised as an expense in the surplus/(deficit) as incurred. This was \$62,445 (2017: \$57,861).

	Actual 2018 \$'000	Actual 2017 \$'000
Holiday Pay Accrual	92	87
Accrued Salaries	69	65
<b>Total Employee Entitlements</b>	<b>161</b>	<b>152</b>

## 6. Property, plant & equipment

### Accounting Policy

Property, plant and equipment consists of the following asset classes; furniture and fittings, plant and equipment, property improvements and computer equipment.

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to the XRB and the cost of the item can be measured reliably.

Purchases of property, plant and equipment are initially recorded at cost.

Items of property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may overstate its recoverable service amount.

Costs incurred subsequent to the initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the XRB and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or (deficit).

### 2017/18

\$'000	Furniture and Fittings	Plant and Equipment	Property Improvements	Computer Equipment	Total
<b>Cost</b>					
Opening Balance	123	48	217	166	554
Additions	0	0	0	26	26
Disposals	0	2	0	63	65
<b>Closing Balance</b>	<b>123</b>	<b>46</b>	<b>217</b>	<b>129</b>	<b>515</b>
<b>Accumulated Depreciation</b>					
Opening Balance	76	48	88	114	326
Depreciation	13	0	15	28	56
Disposals	0	2	0	59	61
<b>Closing Balance</b>	<b>89</b>	<b>46</b>	<b>103</b>	<b>83</b>	<b>321</b>
<b>Carrying Amounts</b>					
At 30 June 2018	34	0	114	46	194
At 30 June 2017	47	0	129	52	228

# Notes to the Financial statements

For the year ended 30 June 2018

## 7. Intangible Assets

### Accounting Policy

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The XRB does not capitalise any internal costs incurred in the development of software for internal use.

Costs associated with maintaining computer software are recognised as an expense when incurred.

The XRB has completed the rebuild of its website in April 2017. The costs to date associated with this project, which will generate future service potential, have been capitalised as an intangible asset.

	Actual 2018 \$'000	Actual 2017 \$'000
<b>Cost</b>		
Opening Balance 1 July	279	74
Additions	8	205
Disposals	2	0
<b>Closing Balance 30 June</b>	<b>285</b>	<b>279</b>
<b>Accumulated Amortisation</b>		
Opening Balance 1 July	67	41
Amortisation	63	26
Disposals	1	0
<b>Closing Balance 30 June</b>	<b>129</b>	<b>67</b>
<b>Carrying Amount 30 June</b>	<b>156</b>	<b>212</b>

The intangible assets comprise software licenses and website development costs capitalised. The website was available for use from April 2017 and amortisation commenced at that time.

## 8. Provisions

	Actual 2018 \$'000	Actual 2017 \$'000
Provision for Make Good	20	15
<b>Total Provisions</b>	<b>20</b>	<b>15</b>

The XRB is required at the expiry of the lease to make good any damage caused to the two office premises that it leases and remove any fittings and fixtures installed. The Wellington office lease has been renewed to 30 June 2020 and has one further right of renewal.

The Auckland lease was renewed to 30 June 2019. There are no further rights of renewal on this lease.

## 9. Financial Instruments

### Accounting Policy

The XRB is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, short term deposits, receivables and payables. 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 Comprehensive Revenue and Expense.

All financial assets are classified as loans and receivables. All financial liabilities are classified as financial liabilities measured at amortised cost.

## 10. Employee Remuneration

Remuneration Range	Actual 2018 \$'000	Actual 2017 \$'000
\$100,000 - \$109,999	0	2
\$110,000 - \$119,999	1	0
\$120,000 - \$129,999	1	1
\$130,000 - \$139,999	1	1
\$140,000 - \$149,999	1	0
\$150,000 - \$159,999	2	2
\$160,000 - \$169,999	0	1
\$170,000 - \$179,999	1	3
\$180,000 - \$189,999	3	1
\$190,000 - \$199,999	1	0
\$230,000 - \$239,999	0	1
\$250,000 - \$259,999	1	0

## 11. Related Party Information

The XRB is an independent Crown entity as defined by the Crown Entities Act 2004.

All related party transactions have been entered on an arm's length basis.

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client / recipient relationship on terms which are no more or less favourable than those that it is reasonable to expect XRB would have adopted in dealing with a party at arm's length in the same circumstances.

Further, transactions with other Government agencies (for example Government departments, Crown Entities and SOEs) are not disclosed as related party transactions when they are consistent with the normal operating arrangements between Government agencies and undertaken on the normal terms and conditions for such transactions.

### Key Management Personnel

Nil transactions were entered into during the year with key management personnel.

### Key Management Personnel Compensation

	Actual 2018 \$'000	Actual 2017 \$'000
XRB Board meeting fees (remuneration to XRB Board members)	135	149
Full time equivalent members	0.3	0.5
Salaries and other short-term employee benefits	776	765
Full time equivalent employees	4	4
<b>Total Key Management Personnel Compensation</b>	<b>911</b>	<b>914</b>

Key management personnel include the XRB Board, the Chief Executive and three Directors- Director of Finance and Corporate Services, Director Assurance Standards and the Director of Accounting Standards. The Board meeting fees included above only include payments relating to work completed for the XRB Board –where members of the XRB Board are also on other boards such as Kimberley Crook (NZASB) and John Kensington (NZAuASB), these fees are excluded.

No XRB Board members received compensation or other benefits in relation to cessation (2017: nil).

## 12. Severance Payments

No payments or other benefits were made to employees during the year in relation to cessation (2017: nil).

## 13. Indemnity Insurance

The XRB has professional indemnity insurance cover during the financial year of \$1,000,000. (2017: \$1,000,000), in respect of the liability or costs of Board members or employees.

## 14. Operating Lease Commitments

	Actual 2018 \$'000	Actual 2017 \$'000
Not later than one year	164	151
Later than one year and not later than five years	117	265
<b>Total Operating Lease Commitments</b>	<b>281</b>	<b>416</b>

The XRB has entered into the following non-cancellable lease agreements which were effective 1 July 2011:

- The lease of premises at 55 Shortland Street, Auckland has been renewed for the last right of renewal until 30 June 2019.
- The lease of premises at 50 Manners Street, Wellington has been renewed until 30 June 2020. This lease has one further right of renewal to 30 June 2023.

## 15. Capital Commitments

The XRB has contractually committed to purchasing two Microsoft Surface Hubs at year end which had not been delivered at 30 June 2018 at a total cost of \$77,450 (2017: Nil).

## 16. Contingent Liabilities

The XRB has no material contingent liabilities (2017: nil).

## 17. Events after the Balance Sheet Date

There were no significant events after the balance sheet date. (2017: nil).

# Notes to the Financial statements

For the year ended 30 June 2018

## 18. Explanation of significant variances against budget

### Statement of Comprehensive Revenue and Expense

#### Interest Received

Interest income is higher than budget due to higher levels of money on deposit and higher interest rates achieved over the year.

#### Personnel Costs

The budget allowed for our four part time staff to go to full time and this did not eventuate during the financial year. Savings were also made in recruitment costs which were budgeted, but not necessary during the year.

#### Fees to board members

The budget for meeting fees includes the XRB Board and its two Committees, the NZASB and the NZAuASB. Fees are above budget this year as there has been considerably higher levels of Audit and Assurance sub committee work this year and two additional meetings of the NZASB this year.

#### General Operating Costs

Several expenses within general operating costs were over budget;

- During the year one staff member went on secondment to the International Ethics Standards Board for Accountants which was unbudgeted,
- Legal fees were incurred in relation to an audit and assurance opinion sought which was not budgeted
- Communications costs were incurred to review our annual report and to create new presentation collateral which was not budgeted
- XRB released several publications during the year which were unbudgeted including;
  - “Alternative Performance Measures -Are they meeting user needs?”
  - “Key Audit Matters- A stocktake of the first year in New Zealand”- jointly with the Financial Markets Authority
  - A joint publication with the McGuinness Institute – “Survey Highlights – A summary of 2017 Extended External Reporting Survey”

#### Travel

Travel costs are higher than budget as the Chair and Director of the Audit and Assurance Board had to attend a National Standard Setters meeting which is normally held in conjunction with the International Auditing and Assurance Standards Board meeting but was held separately this year. In addition, the inability to access All of Government airfares is impacting on our travel spend.

#### Depreciation and Amortisation

The budget included depreciation on the new video conference equipment which has not been installed in the financial year. In addition, the spend on the website upgrade was considerably less than budgeted and this has impacted the budgeted amortisation charge for the current year also.

#### Website and IT Costs

Website and IT costs are higher than previous years due to higher website hosting costs and additional operational expenses relating to the upgraded website. This year the XRB has also made changes to the website to make it compliant with Government accessibility requirements. In the current year we have commenced our programme of upgrading to cloud computing which has resulted in additional costs.

#### Research Expenses

Research expenditure is over budget as the XRB partnered with the McGuinness Institute for the research of Extended External Reporting which was unbudgeted.

### Statement of Financial Position

#### Cash at Bank

Cash balances are higher than budget as several term deposits were created in the financial year which are represented as Investments which are earning higher than budgeted interest which has been reinvested.

#### GST Receivable

The GST receivable is due to a change in our GST filing from six monthly to bi monthly which has resulted in a GST receivable for the first time at year end.

#### Prepayments

Prepayments include prepaid insurance, our licence for our document management system, teleconference software maintenance, ACC provisional, and comply with licence. Year end travel prepayments are substantial this year as we are booking international flights early to obtain the best fares possible.

#### Investments

The XRB has three term deposits to maximise interest revenue. These deposits have varying maturities which are described in note 3 Investments.

#### Payables

The reduction in payables is due to a change in the XRB's GST filing which was previously six monthly to bi-monthly. This has resulted in a large drop in payables.

#### Property, plant & equipment

The spend for property, plant & equipment is less than budgeted due to the delay in delivery of our new video conference technology until the new financial year.

#### Intangibles

The reduction in intangibles is due to actual costs less than budget for the upgrade of the XRB website which was completed in April 2017.

### Statement of Cash Flows

The increase in payments to suppliers is due to the change in GST filing from six monthly to bi-monthly.

# Independent Auditor's Report

**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa

## To the readers of the External Reporting Board's financial statements and performance information for the year ended 30 June 2018

The Auditor General is the auditor of the External Reporting Board (the XRB). The Auditor General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information, including the performance information for an appropriation, of the XRB on his behalf.

### Opinion

We have audited:

- the financial statements of the XRB on pages 26 to 38, that comprise the statement of financial position as at 30 June 2018, the statement of comprehensive revenue and expense, statement of movements in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the XRB on pages 7 to 14 and 18 to 24.

In our opinion:

- the financial statements of the XRB on pages 26 to 38:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2018; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Standards Reduced Disclosure Regime; and
- the performance information on pages 7 to 14 and 18 to 24:
  - presents fairly, in all material respects, the XRB's performance for the year ended 30 June 2018, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
    - what has been achieved with the appropriation; and
    - the actual expenses or capital expenditure incurred compared with the appropriated or forecast expenses or capital expenditure.
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 18 October 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

### Basis for our opinion

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of the Board for the financial statements and the performance information

The Board is responsible on behalf of the XRB for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Board is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board is responsible on behalf of the XRB for assessing the XRB's ability to continue as a going concern. The Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the XRB, or there is no realistic alternative but to do so.

The Board's responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

### Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the XRB's statement of performance expectations and the Estimates and Supplementary Estimates 2017/18 for Vote Business, Science and Innovation.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.



As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the XRB's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board.
- We evaluate the appropriateness of the reported performance information within the XRB's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the XRB's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the XRB to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

### Other information

The Board is responsible for the other information. The other information comprises the information included on pages 2 to 6, 15 to 17, 25, and 41 but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Independence

We are independent of the XRB in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

For the year ended 30 June 2018, and subsequently:

- one employee of the Auditor-General has been a member of the New Zealand Accounting Standards Board (NZASB), one of the XRB's standards setting Boards.
- another employee of the Auditor-General has been a member of the New Zealand Auditing and Assurance Standards Board (NZAuASB), the XRB's other standards setting Board.

In addition, after 30 June 2018 the Auditor-General has been a member of the External Reporting Advisory Panel (XRAP) of the XRB.

None of the NZASB, the NZAuASB or the XRAP has any influence over the governance, operations or accountability of the XRB. The employees and the Auditor-General provide their advice at no cost to the XRB.

An employee of the XRB is the spouse of the Chief Executive of Audit New Zealand. The XRB employee has no influence over the governance, operations or accountability of the XRB.

Other than the audit, our involvement with the NZASB, the NZAuASB and the XRAP, and the employee relationship, we have no relationship with or interests in the XRB.



### S B Lucy

Audit New Zealand  
On behalf of the Auditor General  
Wellington, New Zealand



# Appendix: Board Members

## Members of the External Reporting Board during 2017-18

- Michael Bradbury, Research Professor, Massey University, Auckland (term expires 18 December 2021).
- Simon Carey, Director, Qalibre, Financial and Commercial Advisory, Christchurch (resigned from the Board on 10 May 2018, however, Simon Carey will serve on the Board until a replacement member is recruited).
- Kimberley Crook, Self employed Chartered Accountant, Auckland (term expires 31 January 2020).
- Bill Edge, Chairman of Financial Reporting Council Australia, Melbourne (term expires 28 July 2019).
- Michele Embling, Chair and Partner, PwC, Auckland, Deputy Chair XRB (term expires 16 August 2019).
- John Kensington, Financial Services Audit Partner, KPMG, Auckland (term expires 18 December 2021).
- Graeme R Mitchell, (Chair) Chartered Accountant, Wellington (Chairman from 1 March 2014; term expires 28 February 2019).
- Jane Taylor, Barrister and Professional Company Director, Queenstown (term expires 8 December 2018).
- Fergus Welsh, Group Manager Financial Performance – National Services – Ministry of Health, Wellington (term expires 31 January 2020).

## Members of the New Zealand Accounting Standards Board during 2017-18

- Todd Beardsworth, Assistant Auditor General, Accounting and Auditing Policy at the Office of the Auditor General, Wellington (term expires 30 June 2018). Reappointed until 30 June 2021.
- Nives Botica-Redmayne, Senior Lecturer in Accountancy at Massey University, Palmerston North (term expires 30 June 2019).
- Francis Caetano, Group Financial Controller, Auckland Council, Auckland (term expires 30 June 2019).
- Kimberley Crook, (Chair) Self employed Chartered Accountant, Auckland (term expires 30 June 2020).
- Charles Hett, Consulting Actuary, Deloitte New Zealand, Wellington (term expires 30 June 2019).
- Karl Hickey, Senior Finance Manager, Financial Policy and Advice, ANZ National Bank Ltd, Wellington (term expires 30 June 2019).
- Lyn Hunt, (Deputy Chair) Partner, PwC, Auckland (term expires 30 June 2020).
- Kris Peach, Chair and CEO, Australian Accounting Standards Board, Melbourne (term expires 2 November 2019).
- Angela Ryan, (Deputy Chair) Principal Accounting Advisor, The Treasury, Wellington (term expires 30 June 2020). Angela Ryan has been granted leave of absence from the Board from January 2018 to July 2018.
- Richard Smyth, Deputy Chief Financial Officer, Skycity Entertainment Limited, Auckland (term expires 30 June 2020).

## Members of the New Zealand Auditing and Assurance Standards Board during 2017-18

- Robert Buchanan, (Chair) Barrister and Solicitor, Wellington (Chair role appointed 1 July 2016, term expires 30 June 2019).
- Clyde D'Souza, Principal D'Souza Associates, Wellington (term expires 30 June 2019).
- Craig Fisher, Chairman, RSM Chartered Accountants, Auckland (term expires 30 June 2018), reappointed to 30 June 2021.
- John Kensington, (Deputy Chair) Financial Services Audit Partner, KPMG, Auckland (term expires 30 June 2019).
- Chong Lim, General Manager, Professional Practices at Audit New Zealand, Wellington (term expires 30 June 2020).
- Ian Marshall, non executive Director, Wellington (term expires 30 June 2020).
- Marje Russ, Executive Director Tonkin & Taylor Group, Auckland (term expires 30 June 2020).
- Karen Shires, Financial Assurance Partner, PwC, Auckland (term expires 30 June 2018), reappointed to 30 June 2021.
- Roger Simnett, Scientia Professor of Auditing, University of New South Wales and Chairman of AUASB, Sydney (term expires 31 March 2022).
- Rowena Sinclair, specialises in not-for profit research and is a PhD supervisor at AUT University, Tauranga (term expires 30 June 2019).

Further information about the Members of the XRB, NZASB and NZAuASB is available at [www.xrb.govt.nz](http://www.xrb.govt.nz).

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**EXTERNAL REPORTING BOARD**  
*Te Kāwai Ārahi Pūrongo Mōwaho*