



## MP for Mana

Minister of Broadcasting, Communications and Digital Media

Minister of Civil Defence

Minister of Commerce and Consumer Affairs

Minister of Customs

Associate Minister of Immigration

**26 FEB 2019**

Graeme Mitchell

Chair

External Reporting Board

PO Box 11250

Manners Street Central

Wellington 6142

Email: [graeme.mitchell@xtra.co.nz](mailto:graeme.mitchell@xtra.co.nz)

Dear Graeme

## **ANNUAL LETTER OF EXPECTATIONS FOR 2019/20**

I am writing to convey my portfolio priorities and your role in achieving these priorities, along with my strategic and performance expectations for the External Reporting Board (XRB) in relation to the 2019/20 financial year.

I would like to start, however, by thanking you for staying on as Chair past the expiry of your term. A process to appoint a new Chair is underway, and I hope to complete it soon.

The goal of this government's economic strategy is to improve the well-being and living standards of New Zealanders through sustainable and inclusive growth. This means moving beyond narrow economic indicators and measures of success, and instead puts the well-being of our people and the environment at the centre.

### **Commerce and Consumer Affairs priorities and what this means for the XRB**

This Government's priorities extend beyond agency boundaries – many will involve you playing an effective role within an integrated and coherent system. I expect you to focus on working together with the range of agencies and parties that have a stake in achieving these priorities. At the heart of this Government's economic strategy is the idea of a resilient, adaptable, productive and inclusive economy. The XRB and the financial reporting regime make an important contribution to this, by informing the decision-making of financial report users, which in turn helps achieve effective public accountability and good corporate governance.

The following paragraphs set out my specific expectations for the XRB.

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

I appreciate the achievements of the XRB over the last year. The Board has a strong record in delivering its objectives while maintaining high standards of governance and robust operating systems.

During 2019/20, my specific expectations are that the XRB:

- continue to monitor the extent to which accounting and auditing standards are meeting user needs
- continue to converge and harmonise (where appropriate and relevant to local user needs) accounting and auditing standards with the international community, including Australia
- continue to enhance constituency engagement and support, both in the development of standards and in raising awareness and understanding of XRB standards
- seek to influence, in a targeted manner, the standards-development work of international boards
- investigate and develop further meaningful 'outcome measures' for the XRB's core activities
- understand the direct and indirect costs of the XRB's actions on businesses and the wider economy
- continue to monitor trends within the audit profession and the implementation of reporting of key audit matters in New Zealand.

### **General expectations and good governance**

As part of your role in governing a high-performing entity, I expect you to:

- maintain an effective board
- be the primary monitor of the XRB's performance and maintain effective relationships with my advisors in the Ministry of Business, Innovation and Employment (MBIE)
- operate a 'no surprises' policy.

These expectations are set out in more detail in the Annex to this letter.

### **Strategy and performance information**

All Crown entities must prepare an annual Statement of Performance Expectations (**SPE**) and have an approved Statement of Intent (**SoI**). The annual SPE should provide a clear performance framework and support excellent reporting to Parliament and the public on results.

The XRB's existing SOI (covering the period July 2017- June 2022) took effect from 1 July 2017. As these must be prepared once in every three year period, the XRB will be required to prepare a new one in late 2019 and early 2020 to take effect from 1 July that year.

### **Response**

Your advice by 15 March 2019 on how you propose to respond to the expectations set out in this letter would be appreciated. I would be happy to consider approaches that best achieve our collective aims and work well for the XRB. In the first instance, please discuss your proposed response with MBIE.

I look forward to continuing our excellent working relationship over the coming year.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Kris Faafoi', with a stylized, cursive script.

Hon Kris Faafoi

**Minister of Commerce and Consumer Affairs**

Copy to: Warren Allen  
Chief Executive, XRB

James Hartley  
General Manager, Commerce, Consumers and Communications, MBIE

## **Annex: General expectations and good governance**

### *Effective board*

Ensuring the XRB is, and remains, high-performing is essential, and an effective board is a key component of this. There are many tools to help boards self-assess and improve their performance as a governing body. An assessment could include examining the skills and experience each board member brings and identifying gaps in the membership or opportunities for development. I expect you to use a robust process, and advise me and MBIE of the result of this self-assessment by the agreed amended date of 30 June 2019, including what steps the board is taking to respond to the findings of your annual self-review. MBIE can provide support for the board in undertaking this work.

Your input into succession planning for the board is also sought as and when member's terms expire. I expect you to provide MBIE with your view of the competency mix you need to work well as a board, along with your thoughts on upcoming appointments and any candidate attributes to target.

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

In addition to setting and driving a strategy that delivers on government priorities, your board is the most important monitor of XRB performance. I expect the board to provide me with high-quality information and analysis on entity performance against plan, implications for future performance, and risks and opportunities facing the entity.

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

### *No surprises*

The Government has a 'no surprises' policy. No surprises means that the Government expects a board to:

- be aware of any possible implications of their decisions and actions for wider government policy issues
- advise the responsible Minister of issues that may be discussed in the public arena or that may require a ministerial response, preferably ahead of time or otherwise as soon as possible, and
- inform the Minister in advance of any major strategic initiatives.

I also ask you to avoid 'pre-judging' my potential responses to risks and opportunities. I expect to hear about emerging issues and what major actions the board is considering. My reactions will be based on a range of factors, including the benefits of new initiatives and of taking different approaches to achieve our goals.