



2019 Annual Report

FOR THE YEAR ENDED
30 JUNE 2019

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Who we are



The Financial Reporting Act 2013 requires the XRB Board to consist of not less than four, nor more than nine members (nine throughout 2018/2019 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 panel: XRB Advisory Panel (XRAP)



The XRB has a staff team of 17 based predominantly in Wellington and Auckland



The XRB has an annual appropriation of \$4,410,000

Chair's Report



“ The XRB and its two technical Boards are focused on building trust and confidence in the financial reporting of corporate, public sector and not-for-profit organisations. ”

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 met six times during the year ended 30 June 2019.

The key functions of the XRB Board are:

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

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

Board Highlights

Some of the many highlights for the XRB in 2018/2019 year were:

- Two new members appointed to XRB Board from 1 May 2019 and two reappointed for further terms. New Chair (Michele Embling) and Deputy Chair (Jane Taylor) appointed
- Approval of 2019 – 2024 Strategic Plan
- New standards issued or updated during the year – 10 Accounting Standards and four Auditing and Assurance Standards
- Maintained appointments to key international Boards and supporting forums – New Zealand member on International Audit and Assurance Standards Board (IAASB), a New Zealand member on International Public Sector Accounting Standards Board (IPSASB) and a New Zealand member on the International Financial Reporting Standards Advisory Council (IFRS® Advisory Council)
- Three new members join the XRB Advisory Panel
- Issued Targeted Review of the Accounting Standards Framework
- Continued involvement in the Parliamentary process to widen our mandate to include non-assurance related services. We completed our submission and have also been involved in the Select Committee process

- Sound progress responding to user demands for an XRB position and guidance on Extended External Reporting (EER) in New Zealand.

Technical Boards' Operations

This year we had a full complement of expertise to continue to deliver on our active work programme. Our Boards are focused on delivering and building on the outputs from international standards boards, while also responding to the needs of our users here in New Zealand.

We continue to work hard to maintain high awareness levels across our constituents, particularly around the three significant new accounting standards which are being implemented this year.

A key part of our work is to maintain a strong and active involvement with key international and regional forums. Our relationship with Australia is also a key focus for our Boards. We also closely collaborate with the Australian technical boards to ensure harmonisation of standards. This year New Zealand signalled its willingness to support the China Belt & Road Initiative relating to accounting standards.

Environmental Challenges

Our world is characterised by significant disruptions and challenges which may have a major impact on the way we undertake our responsibilities. A selection of these disruptions are:

- Uncertainty still exists relating to the global regulatory view on the future structure of Audit and Ethics standard setting
- Diminution of trust in financial reporting
- Challenge to provide ease-of-use standards
- Global attention on audit quality following several international corporate collapses eg Carillion (United Kingdom)
- Challenges within the audit market – Public perception is changing in regards to auditor independence and the concentration of the market within the four major accounting firms
- The need to be ready for significant impacts of the recommendations following public enquiries – particularly in relation to audit
- Stakeholders are wanting wider reporting including financial and non-financial reporting.

Board highlights

- Ready for the possible change to our standard – taker approach and our reliance on international standards as a basis for our work – we may need to apply greater resources to ensure that standards are fit for purpose in New Zealand
- Need to consider New Zealand's changing cultural identity both in the type of organisations applying our standards and how we consult with those organisations and their representatives.

Commitment to Global Linkages

Given our reliance on international standards, one of the XRB's strategic priorities is to influence the agenda and the standards development work of the international standards boards to ensure those standards are suitable for New Zealand. Activities undertaken during the year include:

- New Zealand's input sought for its practical, thought-leadership and efficient approach in international fora
- New Zealand is represented on two key global standard-setting boards – IPSASB and IAASB
- Representatives on two global advisory forums – the IFRS Advisory Council and the IAASB Project Advisory Panel (PAP)
- Attendance at key global meetings of international standard-setters – 10 meetings in total during the year
- Chair, CEO, NZAuASB Chair and Director Accounting Standards attended World Congress of Accountants in Sydney – November 2018
- Brief staff secondments to international Boards – one staff member to the IPSASB and one staff member to the International Ethics Standards Board for Accountants (IESBA)
- Effective reciprocal appointments for New Zealand Chairs to Australian standard-setting boards
- Regular global presentations of New Zealand's work at international standards board meetings – most recently presentations to the IPSASB on Lessor Accounting, a presentation to the Accounting Standards Advisory Forum (ASAF) on the results of our EER research and a presentation to the World Standard Setters on our NZ AS 1 *The Audit of Service Performance Information*

Acknowledgements

I would like to conclude by acknowledging the continued support the XRB receives from our Minister, Hon Kris Faafoi. We are also pleased to continue to work closely with MBIE and a range of Crown agencies, including the Financial Markets Authority, the Department of Internal Affairs Charities Services, and Inland Revenue.

I would also like to extend my thanks to retiring chair Graeme Mitchell, and board member Simon Carey who have both stood down from the board this year. Their service has been greatly appreciated. We are pleased to welcome Julia Fink and Jacqueline Robertson Cheyne who bring new experience and expertise to the Board.

We are grateful for the professionalism and dedication of all of the XRB and its two Technical Boards. We would also like to thank the management team and staff for their continued efforts across the year.

Finally, our Chief Executive, Warren Allen, will retire from the XRB in December 2019. We have been very fortunate to have benefitted from Warren's outstanding leadership during a critical time in the evolution of the XRB.

Thank you Warren for your leadership and vision. Our best wishes to you for a happy and well deserved retirement.




2019 – 2024 Strategic Plan



10 new Accounting Standards issued



Four new Auditing and Assurance Standards issued



Strong engagement with key international organisations



Increased engagement on Extended External Reporting (EER) in NZ



Chief Executive's Report



“ We are focused on increasing our engagement with constituents, ensuring they understand and can contribute to New Zealand's financial reporting environment. ”

The Team

The XRB has a staff team of 17 (five part-time) principally in two locations – Wellington and Auckland. This team supports the entire organisation and its strategies. This includes providing technical support to international board representatives.

We work closely with our Australian counterparts. This year we were pleased to hold a joint meeting of the assurance staff teams.

Management Highlights

The management team continued to execute the XRB's strategic direction this year. Highlights include:

- Finalisation of an extensive project of infrastructure renewal – successful with increased efficiency
- Effective participation in key international consultations on proposed new standards – e.g. IPSASB Leases, IAASB Audit Quality Management projects
- NZ technical staff played key roles in several high-profile international standard-setting projects – IESBA e-Code and IPSASB Financial Instruments Projects
- An active response to user demands for direction and guidance on EER, this is a strong trend in international external reporting – XRB Position Statement and navigational resources issued
- Effective involvement in two key Government strategies – transitioning to a Low-Emissions Future and Incorporated Societies Act Review
- Planning and executing four global standard-setting leaders' visits to NZ – including successful public presentations and constituent engagement
- Self-review, utilising State Services Commission Performance Improvement Framework (PIF) – several worthwhile improvements identified

- Planned, supported and participated in 21 New Zealand based Board, two Advisory Panel and one Strategy Day meeting(s)
- Programme of stakeholder/constituent meetings – 1,293 participants
- We were regularly requested to present our work at key conferences, seminars and webinars
- New technology enables full functionality so our people can work flexibly and with appropriate security.

NZ Accounting Standards Board

The Accounting Standards Board held nine meetings in 2018/2019 year. A key focus for the year has been responding to user demands for assistance in introducing EER. This will continue to be a key area of focus for the XRB.

This year (1 January 2019) we had effective dates on three new high-impact IFRS® Standards, which required a higher level of awareness raising which included roundtable meetings, webinars, presentations and face-to-face meetings:

- Financial instruments (NZ IFRS 9)
- Revenue (NZ IFRS 15)
- Leases (NZ IFRS 16).

We also continued our work on Public Benefit Entities (PBE) topics covering:

- Leases
- Revenue and Non-Exchange Expenses
- Measurement
- PBE Combinations
- Insurance Contracts.

NZ Auditing and Assurance Board

The Auditing and Assurance Board issued a new domestic standard: NZ AS 1 *The Audit of Service Performance Information* to complement PBE FRS 48 *Service Performance Reporting*.

Stakeholder feedback

We recently spoke to key stakeholders as part of a performance improvement review. Some of their responses are provided below:

“

“The XRB should be involving themselves in non-GAAP information. Thought leadership in this area is very important now. Is corporate reporting your mandate or just financial reporting?”

“XRB are excellent at transparency and openness. Keeping stakeholders informed is critical. The XRB roundtables and seminars are excellent.”

“It is great to keep the engagement happening... Connectedness and communication is important.”

“The XRB make themselves available for discussion on matters of importance, for example recent climate change policy matters.”

“The Accounting and Auditing and Assurance Standards frameworks are brilliant. They protect integrity. The XRB being a standard taker is a great approach. The XRB should continue to influence International Boards.”

”

We continue to work closely with our constituents. This year we have carried out an extensive New Zealand outreach programme to seek input on a new regime of audit quality management. This has included meetings in several provincial centres across New Zealand.

We have also extended our international engagement. We have worked in conjunction with the Australian Auditing & Assurance Board to gain greater involvement in the international audit standard-setting process. We have also provided strong leadership to assist the IESBA to develop a user-friendly e-Code. This is a web based tool that delivers the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code) on a digital platform. We are active participants in international groups, with one of our board members and one other constituent on the IAASB's EER Assurance project.

Acknowledgements

I would like to thank the XRB Board and the members of our two Technical Boards' for their encouragement and guidance. I would also like to thank the various advisory forums who provide us the much needed "on-the-ground" advice and practical experience. We are also pleased to have had such active and effective participation from a wide range of constituents across New Zealand.

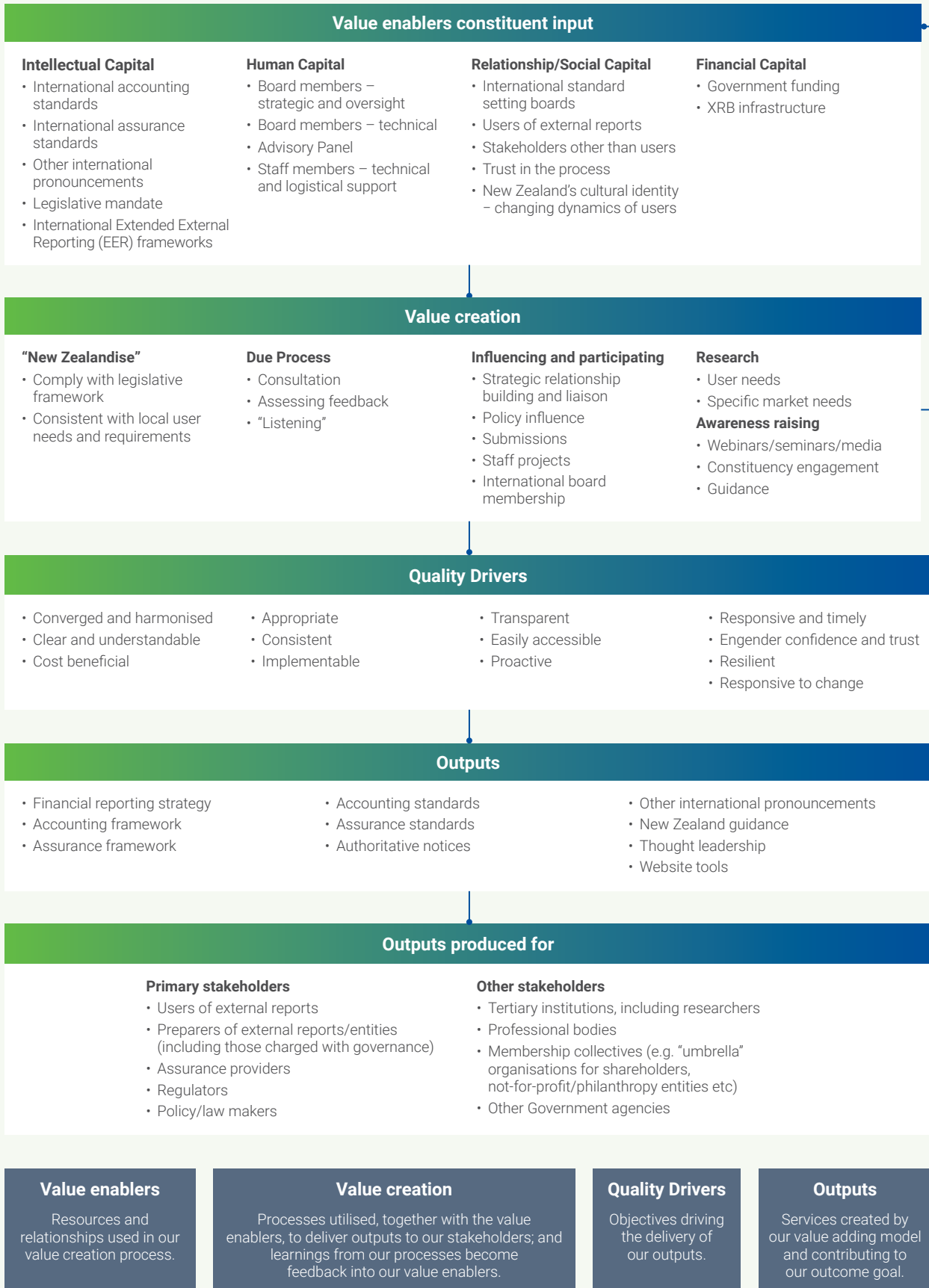
We also acknowledge the continued work of the International boards which enables us to issue standards which are globally converged/harmonised, whilst being "fit-for-purpose" in New Zealand.

Warren Allen



What we do

Our Value Adding Model



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 (IR) – impact of accounting standards on taxation policy and entities meeting their taxation obligations
 - 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
 - Department of Internal Affairs (DIA) – Charities Services – implementation of accounting framework within charities
 - Privacy Commissioner – to ensure any personal disclosures required by standards comply with Privacy Act 1993

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 (CA ANZ), 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
- Lenders
- Donors
- Taxpayers
- Regulators
- Financial Advisors
- An entity's staff
- Suppliers/customers

Other Stakeholders



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

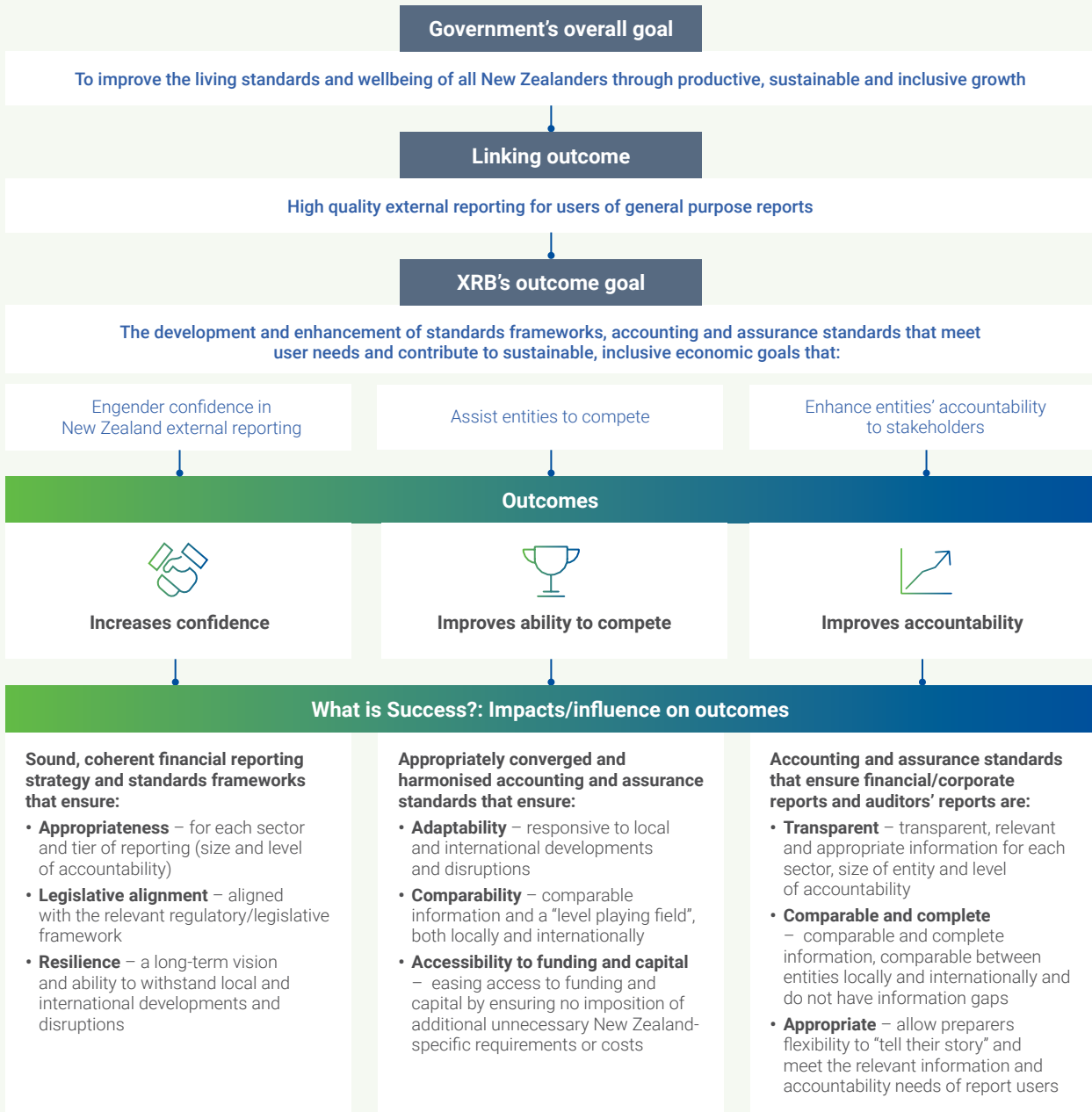
Public



- Communities
- Iwi
- Individuals

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.
- Timely reflection of legislative changes in XRB’s standards.
- 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 for and timeliness of 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.
- 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.



Improves accountability

- Continuation of XRB’s policy of ensuring corporate information meets user needs using 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.
- Responsiveness and timeliness of standards to legislative changes and stakeholder feedback.
- Number of New Zealand requests for, and timeliness of changes to standards.
- Independent feedback from other regulatory bodies about the requirements of standards.

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

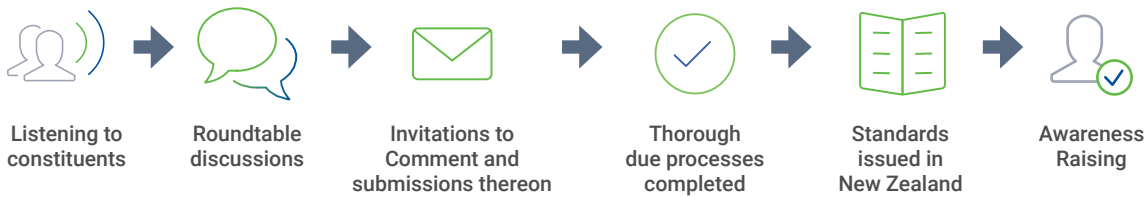
Auditing & Assurance Standards, other international pronouncements and New Zealand guidance



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, user research and constituents.

Detailed consultation is undertaken by:



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

<p>Awareness raising</p> <ul style="list-style-type: none"> • User-friendly website • Webinars • Seminars • Conference presentations • Social media • Guidance documentation 	<p>Influencing international boards</p> <ul style="list-style-type: none"> • Support (technical support and funding) of New Zealand's membership on two key international boards (IAASB and IPSASB) • Funding support to IASB and IPSASB • Active participation in international boards' taskforces and advisory forums • Staff provide assistance to international board's projects • Staff secondments to work with international boards • XRB staff as technical advisors to two international board members (IPSASB and IAASB) 	<p>Collaboration</p> <ul style="list-style-type: none"> • Work with others to achieve our objectives (2018/2019 examples FMA, CA ANZ and CPA) • Harmonisation where appropriate with Australian standards • Reciprocal appointments onto Australian standard setting boards
<p>Engage</p> <ul style="list-style-type: none"> • Bi-annual meetings of XRB Advisory Panel • Regular speaking opportunities at appropriate meetings, conferences and seminars • Respond to national and international consultations on appropriate topics • Stay connected with key international developments • Maintaining relationships with our stakeholder networks • Each Board meeting includes a consideration of national and global environmental scans 	<p>Thought leadership</p> <ul style="list-style-type: none"> • User needs research • Contributing articles to relevant magazines and journals • Regular presentations on emerging topics 	<p>Operational excellence</p> <ul style="list-style-type: none"> • Value-for-money ethos • Flexible employment practices • Efficiency of meetings using modern technology and staff collaboration tools • Involved in a self-Performance Improvement Framework review (PIF) • Modern technology infrastructure

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
- Our staff involved with key international projects

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
- Clear and understandable communication of our outputs
- Recognised expertise available to serve on Boards
- Responsive to changing environment

Understandable



- Lack of major implementation issues
- Supporting documentation (basis of conclusions) conveys reasons for key decisions
- Being able to answer the "why" question

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 2019-2024
- Active participation in debates and lead practical assistance on new initiatives e.g. EER
- Mitigation of key risks
- Flexibility to respond to any key international disruptions

Resilience



- Resilient standards framework and strategy
- Resilient organisation

HIGHLIGHTS
FROM
2018-2019

Extended External Reporting (EER) – Responding to User Demands

- Users, Preparers and Those Charged with Governance were requesting assistance – this is a complex landscape
- We were the logical agency to respond – our mandate clearly includes responding to new thinking in external reporting as relates to reporting on matters wider than just financial information
- New Zealand was falling behind this fast-developing international approach to external reporting
- XRB issued a policy statement strongly supporting the reporting of EER information if that information is relevant to users of Annual Reports
- XRB developed some useful Navigational Resources within a “user-friendly” web page. We developed a “one-stop” web tool that directs visitors to useful resources
- The Position Statement and Navigational Resources has been a heavily visited section of our website (over 3,000 in the first week)
- Several NZ entities are now starting to establish themselves as “gold standard” reporters within the EER approach to external reporting
- Interesting to note the Government’s Living Standard Framework which is central to the Government’s agenda is based on the EER concept of multiple “capitals” (not just financial capital).

“ Our EER resources have been welcomed by users across New Zealand, with the webpage visited over 3,000 times in its first week. ”

Working with Productivity Commission, MBIE and MfE on Climate-Related Financial Disclosures

- XRB made a submission in June 2018 on the Productivity Commission's draft report on Low Emissions Economy
- XRB had the opportunity to present its view to the membership of the Productivity Commission – stressing the importance of the external reporting being targeted to the users of these reports
- XRB continued actively engaging with the Productivity Commission, MBIE and Ministry for the Environment (MfE) until the final report was issued in August 2018
- The key value added by the XRB to this very important public debate was to keep the climate change reporting in an entity's Annual Report to a level of detail appropriate to users
- Our recommendation was to avoid "overcrowding" in Annual Reports with detailed information required by regulators or policy requirements – these needs should be met by specific reporting not general-purpose financial reporting
- Success was achieved with the issue of the Productivity Commission's final report incorporating our recommendation
- Work is still on-going with MBIE and MfE assisting with Government's response to the Productivity Commission's recommendations for climate related financial disclosures.

“ The Productivity Commission's report supported our recommendation that climate change reporting should not 'overcrowd' Annual Reports. ”

NZ AS 1 The Audit of Service Performance Information

“ Our Standard for the audit of service performance is a world first, attracting substantial international interest. ”

- First domestic New Zealand Audit Standard – Issued February 2019
- Issued to complement accounting standard – PBE FRS 48 *Service Performance Reporting* – Issued in November 2017 to establish requirements for Tier 1 and Tier 2 PBEs who are required to report service performance information from 1 January 2021
- NZ AS 1 relates to periods on or after 1 January 2021
- This Standard deals with auditor’s responsibilities with respect to service performance information when an auditor is engaged to audit the general purpose financial report
- Most useful for auditors of Charities. Smaller charities (Tier 3 and 4) have had to report service performance information for the past four years, whilst larger charities will be required to report from January 2021
- With the issue of this Standard, the NZAuASB stated it will undertake a post-implementation review after three years of implementation to ensure it is operating as intended
- This Standard created substantial interest internationally as there is no equivalent standard elsewhere – the audit & assurance staff team were requested, on several occasions, to present at international forums on our approach and the final output.



Targeted Review of the Accounting Standards Framework – Issue of Discussion Paper

- XRB had been signalling, by including in its past three years Strategic Plans, the intention to undertake a review of the Accounting Standards Framework
- It was not appropriate to complete a “first principles” review as the Accounting Standards Framework has only been in place for a little over five years and appears to be operating as intended
- It was appropriate though to “take stock” and “check-in” on several key areas to ensure it remained “fit-for-purpose” – hence a targeted review
- A Summary and Detailed Discussion Paper was issued in July 2019 – utilising for the first time by XRB some technology that would enable interested parties to easily navigate around the documents, efficiently be directed to sections of interest and digitally submit their comments on all or selected questions in the Discussion Paper
- Comments are due to XRB by 15 November 2019
- A detailed process of outreach and consultation was initiated immediately after the release of the Discussion Paper
- The future activity of this review will involve analysis of all comments received and input from extensive outreach activities. If any amendments are required to the Accounting Standards Framework these will go through the normal due process.

“ We are undertaking an extensive programme of outreach and consultation for our targeted review of our Accounting Standards Framework. ”

Targeted Review of New Zealand Accounting Standards Framework

XRB is undertaking a targeted review of the New Zealand Accounting Standards Framework to ensure it is **operating as intended** and is **fit for purpose** for the future.

NEW ZEALAND ACCOUNTING STANDARDS FRAMEWORK

The XRB's strategy for developing accounting standards for those entities with a statutory requirement to prepare financial statements in accordance with those standards.



MULTI-SECTOR APPROACH

- Different requirements for:
 - For-profit entities; and
 - PBEs (NFPs and Public Sector)



MULTI-TIERED APPROACH

- For-profit entities – 2 tiers
- PBEs – 4 tiers



MULTI-STANDARDS APPROACH

- For-profit entities – based on IFRS
- PBEs – based primarily on IPSAS (Tiers 1 and 2) and XRB's Simple Format Reporting Requirements (Tiers 3 and 4)

THE FOCUS OF THIS REVIEW



A 'check-in' after the first five years



Uncovering any unintended consequences or areas of concern



Three specific matters where we need your feedback

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 2019 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.

	2018/19 Actual (\$'000)	2018/19 Budget (\$'000)
Financial Measure		
Revenue – Government appropriation	4,410	4,410
Interest – Other	67	58
Expenses	4,807	5,251
Operating Surplus/(Deficit)	(330)	(777)
Equity	2,179	1,762
Net Cash Flows from Operating Activities	(197)	(602)
Net Increase/(Decrease) in Cash	(361)	613

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.

Salaries are below budget due to one staff member retiring early in the financial year and not being replaced and one staff member resigning during the year. In addition, two new positions were budgeted but only one appointed during the year.

Professional fees are higher than budget due to the need to obtain an experienced technical accounting team member for a period of three months during the year.

Research expenditure is nil this year. It is considered the timing of the next major research project would be more effective in 2020.

The XRB proposes to fund this deficit for the year through retained earnings.

Capital Expenditure

The XRB's capital expenditure for the year was \$91,000. The main capital expenditure purchase was a Surface Hub for both the Wellington and Auckland offices and the related set up costs.

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.

2018/19 Actual	2018/19 Budget
The XRB retained a near 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.

	2018/19 Actual	2018/19 Budget
Risk		
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 and one retirement during the year. The XRB's workforce profile is as follows:

Workforce component	2018/19	2017/18
Employees	17	18
Part-time	5	4
Women	70%	66%
Women in Management Team	50%	50%
Non-Pakeha Ethnicity	12%	17%
Maori	0%	0%
Pacific	0%	0%
Employees with Disabilities	0%	0%

Workforce Age Profile	2018/19	2017/18
Under 30 years of age	1	1
30-39 years of age	3	5
40-49 years of age	5	5
50-59 years of age	5	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 five 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 worsened to positive 4.5%. This means that in the current year we have a gender pay gap. In the prior year we did not have a gender gap (2018: negative 5.05%).

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 15.3% (2018: 11.49%). 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 Programme.

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 2019

In this part, we report on the services we were funded to deliver in 2018/2019, 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	2018/19 Actual	2018/19 Budget	2017/18 Actual
Description	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
Revenue from the Crown* (\$000)	4,410	4,410	4,410
Revenue from Others (\$000)	67	64	64
Expenses (\$000)	4,807	5,251	4,814
Operating Surplus/(Deficit) (\$000)	(330)	(777)	(340)

* 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 pages 22-33 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.



Overarching Strategy

Maintain the existing financial reporting strategy including the two-sector, multi-standards, multi-tier Accounting Standards Framework

To be achieved by ...	Performance measure	Forecast for 2018/19	Actual for 2018/19
Enduring policy of sector- specific standards and Tier Structure.	Anticipated changes to financial reporting strategy.	0	0
Financial reporting strategy and standards frameworks that are:	Anticipated amendments to Tier Strategy submitted to Minister for approval.	0	0
• Reliable and require infrequent changes;	Anticipated requests for changes to standards frameworks.	0	0
• Consistent with legislative frameworks;	Legislative changes and stakeholder feedback monitored and incorporated into standards frameworks where relevant.	0	0
• Responsive to legislative changes and stakeholder feedback.	Timeliness - Monitoring standards frameworks.	On-going throughout the year.	On-going throughout the year.
	Amendments to Tier Strategy consistent with statutory requirements.	100% compliance.	100% compliance.



Overarching Strategy

Continue the international convergence and harmonisation approach (where applicable) for both accounting and auditing & assurance standards

To be achieved by ...	Performance measure	Forecast for 2018/19	Actual for 2018/19
Enduring policy of international convergence/harmonisation.	Anticipated changes to the policies of international convergence/harmonisation.	0	0

Specific Strategy			
Maintain and enhance existing accounting and auditing & assurance standards			
To be achieved by ...	Performance measure	Forecast for 2018/19	Actual for 2018/19
Maintaining existing accounting and auditing & assurance standards (and associated pronouncements) so that:	New Zealand's ranking for the strength of its auditing and reporting standards in the Global Competitiveness Report by the World Economic Forum.	New Zealand's rank to remain in the top 5 of countries surveyed.	Rank for 2018 is 9th out of 140 countries surveyed ¹
<ul style="list-style-type: none"> • They are of high quality; • They remain consistent with international standards; and • There is local relevance and acceptance. 	Comments and feedback on New Zealand corporate reporting relating to transparency, understandability and meeting user needs.	No significant negative comment/feedback from environmental scan reports or user-needs research.	No significant negative comment/feedback received from environmental scan reports. There are many stakeholder calls for more information and guidance on EER, which the XRB is prioritising on work plans.
Enhancing existing accounting and auditing & assurance standards (and associated pronouncements) standards by:	Comments and feedback from regulatory bodies in relation to the requirements of standards.	No significant negative comment/feedback from regulatory bodies eg., FMA and Charities Services, relating to the standards.	No significant negative comment/feedback from regulatory bodies.
<ul style="list-style-type: none"> • Identifying and addressing any New Zealand specific deficiencies or gaps; and • Expanding, where necessary, the XRB's legal mandate in relation to the issue of standards. 	Comments and feedback in relation to audit quality in New Zealand relating to the suite of auditing & assurance standards.	No significant negative comment/feedback on audit quality in New Zealand relating to the suite of auditing & assurance standards.	No significant negative comment/feedback from regulatory bodies. The FMA released a report entitled "Audit Quality Monitoring" and there were no negative findings in relation to Auditing Standards. The FMA Investor Perception Survey did however highlight a serious gap in the expectations of investors and what auditors are delivering. There is also a similar gap between investors and the professions view of itself when asked about the independence of auditors, their level of professional scepticism and ability to challenge management and directors in conducting their audits. XRB will work together with the FMA on these issues.
Ensuring transparent due process and consultation.	Number of modified audit reports received relating to deficiencies in accounting and/or auditing & assurance standards.	No modified audit reports received relating to deficiencies in accounting and/or auditing & assurance standards.	The XRB received 28 modified audit reports during the period and there were none relating to deficiencies in accounting and/or auditing & assurance standards.
	Number of requests made to policy makers to expand XRB mandate.	No new requests anticipated.	No new requests made.
	XRB submissions on relevant consultation documents.	As required and in compliance with specific response dates.	The XRB made the following submissions: XRB: 3 NZASB: 5 NZAuASB: 5

Specific Strategy			
Maintain and enhance existing accounting and auditing & assurance standards			
To be achieved by ...	Performance measure	Forecast for 2018/19	Actual for 2018/19
Maintaining existing accounting and auditing & assurance standards (and associated pronouncements) so that: <ul style="list-style-type: none"> • They are of high quality; • They remain consistent with international standards; and • There is local relevance and acceptance. 	Number of requests from stakeholders for New Zealand-specific amendments to issued standards that are not related to legislative or standards frameworks.	Nil anticipated.	Nil
	Number of New Zealand-specific standards developed and/or issued.	1 or 2.	1- NZ AS 1 <i>The Audit of Service Performance Information</i>
Enhancing existing accounting and auditing & assurance standards (and associated pronouncements) standards by: <ul style="list-style-type: none"> • Identifying and addressing any New Zealand specific deficiencies or gaps; and • Expanding, where necessary, the XRB's legal mandate in relation to the issue of standards. 	Standards reflect relevant international standards with departures only to improve quality for the New Zealand environment.	100% compliance.	100% compliance.
	For-profit accounting standards and auditing & assurance standards harmonised with Australia (where appropriate).	100% compliance.	100% compliance.
	Standards development follows statutory due process requirements.	100% compliance.	100% compliance.
Ensuring transparent due process and consultation.	Standards issued in time for the commencement date to be no later than the international commencement date (where relevant).	100% compliance.	100% compliance.
	Timeliness of responding to necessary legislative changes and New Zealand constituents' needs.	Referrals from regulatory agencies and other stakeholders relating to deficiencies in standards are dealt with in a timely manner (within six months).	The XRB did not receive any referrals from regulatory agencies and other stakeholders relating to deficiencies in standards.

¹ The rating system for the World Economic Forum's Global Competitiveness was amended in 2018. Many of the measures were amended making direct comparison with 2017 difficult.

New Zealand Rankings	2018	2017
Pillar 1: Institutions	1/140	3/137
One of the 20 measures under Pillar 1:		
1.18 Strength of auditing and reporting standards	9/140	4/137
<i>Australia</i>	11/140	10/137
New Zealand's overall ranking in the 2018 Competitiveness Survey	18/140	13/137

Specific Strategy			
Undertake User-needs Research			
To be achieved by ...	Performance measure	Forecast for 2018/19	Actual for 2018/19
Undertaking organised research into the financial and non- financial information needs of users of our standards: <ul style="list-style-type: none"> • as a basis for enhancing the financial reporting framework or specific standards; • to inform efforts to influence the work of the international standard setting boards; • to respond to developments in wider corporate reporting; • to provide thought leadership; and • Undertake XRB organisation stakeholder survey. 	Number of research projects undertaken to determine needs of users of financial reports.	Commence 1 project.	No projects have been commenced during the year. It is considered that the timing of the next major research project would be more effective in 2020.
	Findings of user-needs research indicates appropriateness of accounting and auditing & assurance standards to users.	No significant negative conclusions from research findings about appropriateness of standards .	Not applicable as no projects have been commenced during the year.
	Communication of research findings to international standard setting boards.	As required.	The XRB research on Extended External Reporting completed in 2017 was presented to the Accounting Standards Advisory Forum in London in October 2018.
	Communication of, and engagement with, local constituents on research findings and emerging issues.	As required.	The XRB issued consultation documentation supporting the Targeted Review of the Accounting Standards Framework to 'check in' if it is still 'fit for purpose'.
	Collaboration with others in research activities relating to corporate reporting, appropriateness of standards and effectiveness of assurance.	As appropriate.	No opportunities arose during the year.
	Reputation of the XRB from the stakeholder survey.	At least 50% of respondents agree that XRB is meeting user needs.	The survey was not conducted in this financial year. The survey is due to be conducted in 2020.

Specific Strategy			
Influence the International Boards			
To be achieved by ...	Performance measure	Forecast for 2018/19	Actual for 2018/19
Seeking to influence the work of the international boards during the early stages of standards development:	Attendance at meetings and working with international boards to influence international standard setting.	Attend all relevant international board meetings.	All relevant international Board meetings were attended.
<ul style="list-style-type: none"> Using "influencing strategies" specific to each international board; By participating, building relationships, and, where appropriate, being represented on international boards; and Monitoring and responding to any major disruptions and developments in the international standard setting structure and environment. 	Participation as members on relevant international boards, regional groupings, working groups and task forces.	Ensure representation on relevant international boards, regional groupings, working groups and task forces. Staff secondments to relevant international standard setting bodies.	<p>New Zealand has representation on the following task forces: Professional scepticism, auditor reporting post implementation review, EER, ISA 220 and ISA 540 implementation task force.</p> <p>In addition, Chair of the International Public Sector Accounting Standards Board (IPSASB) revenue task force.</p> <p>The XRB had one staff secondment to the IPSASB during the year. In addition, one of our Senior Project Managers assisted the International Ethics Standards Board for Accountants (IESBA) during the year on their E-code project.</p>
	Host international visitors from relevant international organisations.	As appropriate.	In this financial year we hosted the Chair of the IPSASB who assisted us with a joint presentation with Victoria University of Wellington on the IPSASB's Leases Exposure Draft. In addition, we hosted the Chair and Technical Director of IESBA.
	Submissions to international boards on relevant issues and consultation documents.	As appropriate.	The XRB and technical boards made a total of 10 submissions during the financial year: XRB: 1 NZASB: 5 NZAuASB:4
	Representation on the IAASB task force on EER and its associated advisory panel.	Maintain our representation on the EER task force and associated advisory panel.	We have a New Zealand member on the IAASB EER taskforce and two New Zealand members on the associated EER advisory panel.
	Environmental scans of, and response to, developments and major disruptions to the international standard setting structure and environment.	On-going regular environmental monitoring reports to the XRB. Respond to developments and disruptions, as appropriate.	The XRB Board is presented with environmental monitoring reports at each Board meeting. The Board responds to developments and disruptions, as appropriate.

Specific Strategy**Enhance Constituency Engagement and Support**

To be achieved by ...	Performance measure	Forecast for 2018/19	Actual for 2018/19
Developing standards in a collaborative manner with the constituency by:	External Reporting Advisory Panel (XRAP) and Technical Reference Groups (TRG) comprise a wide representation, balance and/or appropriate stakeholders.	Take into account diversity, balance and/or appropriateness of new membership appointments. Monitor the diversity, balance and/or appropriateness of membership annually.	The XRB Nominations Committee reviews the composition of the XRAP to ensure that they have a diverse membership and that both groups have an appropriate mix of skill sets.
<ul style="list-style-type: none"> Implementing engagement strategies to enhance the depth and breadth of constituency engagement; Increasing awareness raising activities, including through a communication strategy for social media; Promoting the awareness, understanding and implementation of EER among New Zealand constituents; 	Number of webinars, roundtables, podcasts, presentations, articles, blogs, thought leadership seminars/ lectures held.	Number of webinars, roundtables, podcasts, presentations, articles, blogs, thought leadership seminars/ lectures (including the Tony Dale Memorial lecture) organised as required. Number of attendees: over 1,500.	Number of attendees: 1,293.
<ul style="list-style-type: none"> Encouraging, facilitating and supporting other relevant organisations to provide appropriate training and professional development activities relating to financial reporting; and 	Number of EER presentations to raise awareness of the benefits.	Five high profile speaking events.	Six high profile speaking events were presented.
<ul style="list-style-type: none"> Working with other agencies to ensure financial and non-financial reporting and assurance gaps are identified and addressed. 	Contact regulators and key stakeholders in New Zealand to raise awareness of EER.	As required.	Meetings were held with three regulators in February 2019 to raise awareness of EER. In addition, presentations were given to both the XRAP and TRG meetings to raise awareness.
	Discussions and collaborative work with policy makers and other key stakeholders to identify and address financial and non-financial reporting and assurance gaps.	As required.	We have two meetings per year of the XRAP and six TRG meetings per year to seek feedback directly from key stakeholders.
	Work with international boards to address any gaps.	On-going.	On-going by regular attendance at International Board meetings.

Specific Strategy**Maintain Capability within a Financially Prudent Organisation**

To be achieved by ...	Performance measure	Forecast for 2018/19	Actual for 2018/19
Maintaining a high-performance culture to achieve the XRB's outcome goals.	Retention of diverse and highly qualified Board members and staff.	Staff turnover is minimised. Regular review of Board membership to ensure diversity.	This financial year has seen one staff member retire, one staff member leave and one new member join.
Operating in a financially prudent manner.			Twice per year the membership of the Board and its two sub Boards are reviewed to ensure diversity.
Maintaining the level of capability needed to deliver the outputs required.	Sufficient funding to carry out legislative mandate.	Operating within approved budget.	The XRB is currently operating within its approved deficit budget.

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 2018/19 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 development and enhancement of standards frameworks, accounting and assurance standards that meet user needs and contribute to sustainable, inclusive economic goals that:

- Engender confidence in New Zealand financial reporting;
- Assist entities to compete; 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 2018/19 financial year, are included in the table below:

XRB Outcomes	XRB Outcome Measures 2018/19
 <p>Increased confidence Sound, coherent financial reporting strategy and standards frameworks that ensure, appropriateness, legislative alignment and resilience</p>	
<ul style="list-style-type: none"> • Enduring policy of international convergence/harmonisation, sector-specific standards and Tier Structure. • Consistency of standards frameworks with legislative frameworks. • Timely reflection of legislative changes in XRB’s standards. • 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 for and timeliness of changes to standards frameworks. 	<ul style="list-style-type: none"> • There has been no change to the policy of adopting international standards, sector-specific standards or the Tier Strategy in the 2018/19 financial year. The Minister was not required to approve any new, or amended, strategy or framework. • There were no legislative changes in the 2018/19 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. • The XRB continues to hold discussions with policy makers and other key stakeholders and makes submissions on relevant consultation documents. • The XRB has commenced the planning for a targeted review of the Accounting Standards Framework (ASF) to ensure that the ASF remains fit for purpose.



Improved competition

Converged and harmonised accounting and audit & assurance standards that ensure adaptability, comparability and accessibility to funding and capital.

XRB Outcomes	XRB Outcome Measures 2018/19
<ul style="list-style-type: none"> • Continuation of XRB's policy on influencing international boards. • Independent reports/studies/comment on New Zealand's: <ul style="list-style-type: none"> - international competitiveness/competitive position - ranking attributable to accounting and assurance standards - reaction to international reporting trends. • 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. 	<ul style="list-style-type: none"> • The XRB continued with its policy of influencing international boards in the 2018/19 financial year, with standards board members and/or staff visiting, attending, participating in and, in some instances, presenting to various international meetings and forums. • The XRB's policy of influencing the work of international boards also included hosting visits to New Zealand by international board members from the International Public Sector Accounting Standards Board (IPSASB) and the International Ethics Standards Board for Accountants (IESBA). • New Zealand's influence on the international boards continues through New Zealand's appointment to the IFRS Advisory Council. • The XRB supported the formation of a Project Advisory Panel (PAP) to assist the IAASB with its project on Assurance on Extended External Reporting. Two New Zealand specialists are currently appointed to this PAP. • The XRB and its two Technical 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. • 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 2018² by the World Economic Forum, New Zealand ranked 9th out of 140³ countries for the strength of its auditing and reporting standards (compared to 4th out of 137 countries in 2017-2018). • 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.

² Global-competitiveness-index 2018. www.weforum.org/reports/the-global-competitiveness-report-2018

³ New Zealand is assigned the 9th rank in 2018, its rating of 6.0 is slightly lower than the prior year at 6.3 out of seven (refer also page 24).



Improved accountability

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

XRB Outcomes	XRB Outcome Measures 2018/19
<ul style="list-style-type: none"> • Continuation of XRB's policy of ensuring corporate information meets user needs using findings from XRB and independent New Zealand user-needs research. • Independent reports/studies/comment about: <ul style="list-style-type: none"> - transparency and understandability of reported corporate information - audit quality - stakeholder awareness of wider corporate reporting and non-financial reporting matters. • Responsiveness and timeliness of standards to legislative changes and stakeholder feedback. • Number of New Zealand requests for, and timeliness of changes to standards. • Independent feedback from other regulatory bodies about the requirements of standards. 	<ul style="list-style-type: none"> • There were no negative findings in a recent FMA report entitled 'Audit Quality Monitoring' relating to Audit Standards. • There has been no negative comments or feedback received from environmental scanning reports. • The XRB has received 28 modified audit reports during the financial year and none were relating to deficiencies in either accounting and/or auditing & assurance standards.

Outputs – Performance Statement

As detailed earlier, the XRB specified three key outputs for the 2018/19 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 2018/19 are included in the table below:

Output 1: Developing Financial Reporting Strategy	2018/19 Actual \$'000	2018/19 Budget \$'000	2017/18 Actual \$'000
Revenue from the Crown	529	529	529
Interest and other income	8	8	8
Actual expenses	194	504	383
Attributed Overhead costs and other revenue	153	96	149
Quality			
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.
Timeliness			
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.

Output 2: Developing and Issuing Accounting Standards	2018/19 Actual \$'000	2018/19 Budget \$'000	2017/18 Actual \$'000
Revenue from the Crown	2,470	2,470	2,470
Interest and other income	38	36	36
Actual expenses	2,228	2,494	2,081
Attributed Overhead costs and other revenue	716	448	693
Quality			
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.
Timeliness			
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.
Output 3: Developing and Issuing Auditing & Assurance Standards	2018/19 Actual \$'000	2018/19 Budget \$'000	2017/18 Actual \$'000
Revenue from the Crown	1,411	1,411	1,411
Interest and other income	21	20	20
Actual expenses	1,108	1,453	1,110
Attributed Overhead costs and other revenue	408	256	398
Quality			
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.
Timeliness			
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.

Statement of Responsibility

For the year ended 30 June 2019

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 2019.

For the External Reporting Board 29 October 2019



Michele Embling
Chair



Jane Taylor
Deputy Chair

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Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2019

	Notes	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000
Revenue				
Revenue from the Crown		4,410	4,410	4,410
Proceeds from Asset Sale		0	6	0
Interest received		67	58	64
Total Revenue		4,477	4,474	4,474
Expenses				
Personnel costs		2,439	2,748	2,465
Fees to board members	(1)	660	709	673
General operating costs		241	267	261
Travel		367	394	371
Contributions to IASB & IPSASB		300	300	300
Premises expenses		197	197	193
Depreciation and amortisation	(2,6,7)	148	191	119
Website / IT costs		188	183	198
Miscellaneous costs		1	2	1
Professional fees		241	146	143
Audit fees for financial statements		25	26	25
Research expenses		0	88	65
Total Expenses		4,807	5,251	4,814
Surplus/(Deficit) and Total Comprehensive Revenue and Expense		(330)	(777)	(340)

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 2019

	Notes	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000
Equity				
Contributed capital		725	725	725
Accumulated surpluses:				
Opening accumulated surplus		1,784	1,814	2,124
Current year surplus/(deficit) and total comprehensive revenue and expense		(330)	(777)	(340)
Total Equity		2,179	1,762	2,509
Current Assets				
Cash at bank		77	1,229	438
Receivables		9	10	21
GST receivable		28	0	24
Prepayments		86	40	61
Investments	(3)	2,098	565	2,025
Total Current Assets		2,298	1,844	2,569
Current Liabilities				
Payables	(4)	282	369	229
Employee entitlements	(5)	167	80	161
Total Current Liabilities		449	449	390
Working Capital				
Non-Current Assets				
Property, plant & equipment	(6)	256	206	194
Intangible assets	(7)	94	166	156
Total Non-Current Assets		350	372	350
Non Current Liabilities				
Provisions	(8)	20	5	20
Total Non Current Liabilities		20	5	20
Total Net Assets		2,179	1,762	2,509

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 2019

	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000
Equity as at 1 July	2,509	2,539	2,849
Total Comprehensive Revenue and Expense	(330)	(777)	(340)
Equity as at 30 June	2,179	1,762	2,509

Statement of Cash Flows

For the year ended 30 June 2019

	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000
Cash Flows from Operating Activities			
Cash was provided from:			
Revenue from the Crown	4,410	4,410	4,410
Interest received	74	63	57
	4,484	4,473	4,467
Cash was disbursed to:			
Payments to employees	2,433	2,749	2,455
Payments to suppliers	1,948	2,026	2,180
Contributions to international standards boards	300	300	300
	4,681	5,075	4,935
Net Cash Flow from Operating Activities	(197)	(602)	(468)
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of property, plant and equipment	0	0	7
Investments	0	1,325	0
Cash was disbursed to:			
Investment	73	0	306
Purchase of property, plant and equipment	91	110	26
Intangibles	0	0	8
Net Cash Flow from Investing Activities	(164)	1,215	(333)
Net Increase/Decrease in Cash	(361)	613	(801)
Add Opening Cash Balance	438	616	1,239
Closing Cash Balance	77	1,229	438

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 2019

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 2019 and were approved by the XRB Board on 29 October 2019.

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 Reduced Disclosure Regime (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 *Application of the Accounting Standards Framework* 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 59 High Street, Auckland (from July 2019) – previously, 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 2019

1. Fees to Board Members

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

	Meetings Attended 2019	Board Fees 2019 \$	Other Fees 2019 \$	Total 2019 \$
<i>Total meetings held for the year</i>	6			
Michael Bradbury	6/6	16,320	1,360	17,680
Simon Carey	4/5	10,880	253	11,133
Jacqueline Robertson Cheyne	1/1	2,720	0	2,720
Kimberley Crook	6/6	11,560	185,543	197,103
Bill Edge – Financial Reporting Council (FRC)	5/6	0	0	0
Michele Embling – Deputy Chair / Chair (appointed Chair 1 May 2019)	6/6	12,354	2,596	14,950
Julia Fink	1/1	2,720	0	2,720
John Kensington	5/6	13,600	19,020	32,620
Graeme Mitchell – Chair (retired 28 February 2019)	5/5	13,731	38,447	52,178
Jane Taylor	4/6	8,160	1,360	9,520
Fergus Welsh	6/6	0	0	0
Total Board Fees		92,045	248,579	340,624

	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
Kimberley Crook	6/6	13,500	163,300	176,800
Bill Edge – Financial Reporting Council (FRC)	6/6	0	0	0
Michele Embling – Deputy Chair	5/6	12,450	2,505	14,955
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
Total Board Fees		98,882	217,768	316,650

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. Simon resigned from the Board on 10 May 2018 but served on the Board until 6 March 2019.

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

Michele Embling was appointed Chair 1 May 2019.

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 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 was the Chair of the XRB and was also the XRB representative on the FRC. Graeme Mitchell retired from the XRB 28 February 2019.

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

Jacqueline Robertson Cheyne was appointed to the Board 1 May 2019.

Julia Fink was appointed to the Board 1 May 2019.

Technical Board Remuneration:

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

NZASB	Meetings Attended 2019	Board Fees 2019 \$	Other Fees 2019 \$	Total 2019 \$
<i>Total meetings held for the year</i>	9			
Todd Beardsworth – (resigned 31 December 2018)	3/9	0	0	0
Nives Botica-Redmayne	9/9	22,440	1,360	23,800
Francis Caetano	8/9	21,080	1,360	22,440
Kimberley Crook – Chair	9/9	0	0	0
Charles Hett	5/9	11,560	1,360	12,920
Karl Hickey	9/9	16,456	1,360	17,816
Denise Hodgkins	3/9	6,800	0	6,800
Lyn Hunt – Deputy Chair	0/9	0	0	0
Kris Peach – Australian Accounting Standards Board (AASB)	9/9	0	0	0
Angela Ryan – Deputy Chair	9/9	0	0	0
Richard Smyth	7/9	17,227	1,360	18,587
Total Technical Board Fees		95,563	6,800	102,363

NZASB	Meetings Attended 2018	Board Fees 2018 \$	Other Fees 2018 \$	Total 2018 \$
<i>Total meetings held for the year</i>	10			
Todd Beardsworth	10/10	0	0	0
Nives Botica-Redmayne	7/10	18,900	2,193	21,093
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
Total Technical Board Fees		129,671	14,914	144,585

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.

Todd Beardsworth resigned from the Board on 31 December 2018.

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

Denise Hodgkins was appointed to the Board in a temporary capacity to cover leave of absence granted to Lyn Hunt.

Lyn Hunt has been granted leave of absence from the Board from 1 April 2019 to the end of 2019.

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

NZAuASB	Meetings Attended 2019	Board Fees 2019 \$	Other Fees 2019 \$	Total 2019 \$
<i>Total meetings held for the year</i>	7			
Robert Buchanan – Chair	7/7	19,996	71,142	91,138
Clyde D'Souza	7/7	19,040	1,360	20,400
Craig Fisher	7/7	19,060	4,060	23,120
John Kensington – Deputy Chair	7/7	0	0	0
Chong Lim	6/7	0	0	0
Ian Marshall	6/7	16,320	1,020	17,340
Marje Russ	7/7	19,020	7,798	26,818
Karen Shires	6/7	16,320	0	16,320
Roger Simnett – Australian Audit and Assurance Board (AUASB)	7/7	0	0	0
Rowena Sinclair – (resigned 30 June 2019)	7/7	19,020	2,508	21,528
Total Technical Board Fees		128,776	87,888	216,664

NZAuASB	Meetings Attended 2018	Board Fees 2018 \$	Other Fees 2018 \$	Total 2018 \$
<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
Total Technical Board Fees		115,881	95,784	211,665

Robert Buchanan is 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.

Rowena Sinclair resigned from the Board on 30 June 2019.

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.

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 2019 \$'000	Actual 2018 \$'000
Depreciation and Amortisation		
Depreciation	86	56
Amortisation	62	63
Total Depreciation and Amortisation	148	119

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 2019 \$'000	Actual 2018 \$'000
BNZ Term Deposits	2,098	2,025
Total Investments	2,098	2,025

The XRB has three term deposits at 30 June 2019:

\$237,668 maturing August 2019 at 2.90%

\$1,064,728 maturing November 2019 at 3.20%

\$795,696 maturing September 2019 at 2.50%

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 2019 \$'000	Actual 2018 \$'000
Creditors	192	169
Accruals	90	60
Total Payables	282	229

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 2019, the XRB has a GST receivable due to a change in IR 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 \$60,106 (2018: \$62,445).

	Actual 2019 \$'000	Actual 2018 \$'000
Holiday Pay Accrual	100	92
Accrued Salaries	67	69
Total Employee Entitlements	167	161

Notes to the Financial Statements

6. Property, plant and 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).

2018/19

\$'000	Furniture and Fittings	Plant and Equipment	Property Improvements	Computer Equipment	Total
Cost					
Opening Balance	123	46	217	129	515
Additions	53	5	7	83	148
Disposals	0	28	0	0	28
Closing Balance	176	23	224	212	635
Accumulated Depreciation					
Opening Balance	89	46	103	83	321
Depreciation	14	0	15	57	86
Disposals	0	28	0	0	28
Closing Balance	103	18	118	140	379
Carrying Amounts					
At 30 June 2019	73	5	106	72	256
At 30 June 2018	34	0	114	46	194

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.

	Actual 2019 \$'000	Actual 2018 \$'000
Cost		
Opening Balance 1 July	285	279
Additions	0	8
Disposals	0	2
Closing Balance 30 June	285	285
Accumulated Amortisation		
Opening Balance 1 July	129	67
Amortisation	62	63
Disposals	0	1
Closing Balance 30 June	191	129
Carrying Amount 30 June	94	156

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 2019 \$'000	Actual 2018 \$'000
Provision for Make Good	20	20
Total Provisions	20	20

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.

A new Auckland lease was signed to 31 December 2020 – this takes effect from 1 July 2019.

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 2019 \$'000	Actual 2018 \$'000
\$100,000 - \$109,999	0	0
\$110,000 - \$119,999	1	1
\$120,000 - \$129,999	0	1
\$130,000 - \$139,999	2	1
\$140,000 - \$149,999	2	1
\$150,000 - \$159,999	0	2
\$160,000 - \$169,999	1	0
\$170,000 - \$179,999	1	1
\$180,000 - \$189,999	2	3
\$190,000 - \$199,999	0	1
\$200,000 - \$209,999	1	0
\$250,000 - \$259,999	1	1

Notes to the Financial Statements

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 State Owned Enterprises) 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 2019 \$'000	Actual 2018 \$'000
XRB Board meeting fees (remuneration to XRB Board members)	137	135
Full time equivalent members	0.4	0.3
Salaries and other short-term employee benefits	828	776
Full time equivalent employees	4	4
Total Key Management Personnel Compensation	965	911

Key management personnel include the XRB Board, the Chief Executive and three Directors, (Chief Operating Officer, Director Assurance Standards and the Director 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 (2018: nil).

12. Severance Payments

No payments or other benefits were made to employees during the year in relation to cessation (2018: nil).

13. Indemnity Insurance

The XRB has professional indemnity insurance cover during the financial year of \$1,000,000. (2018: \$1,000,000), in respect of the liability or costs of Board members or employees.

14. Operating Lease Commitments

	Actual 2019 \$'000	Actual 2018 \$'000
Not later than one year	140	164
Later than one year and not later than five years	13	117
Total Operating Lease Commitments	153	281

The XRB has entered into the following non-cancellable lease agreements:

- The new lease of premises at 59 High Street, Auckland has been signed for one lease period to 31 December 2020 commencing 1 July 2019, with one right of renewal to 30 June 2022.
- 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 no capital commitments for the upcoming year (2018: \$77,450).

16. Contingent Liabilities

The XRB has no material contingent liabilities (2018: nil).

17. Events after the Balance Sheet Date

There were no significant events after the balance sheet date. (2018: nil).

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 (compared to budget) and higher interest rates achieved over the year.

Personnel Costs

Personnel costs are under budget as a result of one vacant position which was subsequently disestablished. One staff member resigned during the year. In addition, we had a budget for two extra positions only one of which was recruited during the year. Savings were also made in recruitment costs and training this 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 under budget this year. This is partially due to less than budgeted number of Board meetings (we had included extra meetings for the NZAuASB on the basis that we may return to a National Standard Setters model), less Board sub-committee fees and several apologies for meetings over the last twelve months.

Travel

Travel costs are lower than budget mainly due to an international board liaison trip being budgeted but not yet taken. We are also booking flights in advance to get the best possible prices.

Depreciation and Amortisation

The budget included depreciation on the new video conference equipment which was installed later than expected.

Professional Fees

Professional fees expenses are higher than budget as it was necessary to contract technical expertise into the Accounting Standards team during the year due to higher workloads.

Research Expenses

Research expenditure is under budget with no actual spend in this financial year. It is considered that the timing of the next major research project would be more effective in 2020.

Statement of Financial Position

Cash at Bank

In total, our cash balances are lower than budget as several term deposits have continued to be reinvested in the financial year which are represented as Investments.

GST Receivable

The GST receivable is due to our GST filing being bi-monthly which has resulted in a GST receivable at year end.

Prepayments

Prepayments include prepaid insurance, 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

Payables include accruals for audit fees and board fees for June board meetings.

Property, plant and equipment

In this financial year we had the video conference technology installed and a fitout for the Wellington Office.

Statement of Cash Flows

The main reduction in cash flow was due to payments for our video conferencing technology and also the Wellington fitout, payments to technical contractors, premises costs and travel costs.

Independent Auditor's Report

To the readers of the External Reporting Board's financial statements and performance information for the year ended 30 June 2019

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 36 to 47, that comprise the statement of financial position as at 30 June 2019, 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 8 to 17 and 22 to 33.

In our opinion:

- the financial statements of the XRB on pages 36 to 47:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2019; 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 8 to 17 and 22 to 33:
 - presents fairly, in all material respects, the XRB's performance for the year ended 30 June 2019, 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 29 October 2019. 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 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 relevant Estimates and Supplementary Estimates of Appropriations 2018/19.

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 7, 18 to 21, 34 and 50, 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 2019, and subsequently:

- one employee of the Auditor-General was a member of the New Zealand Accounting Standards Board (NZASB), one of the XRB's standards setting Boards, until 31 December 2018;
- 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; and
- 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.

In addition, the Chief Executive of the XRB is the Chair of the Auditor-General's Audit and Risk Committee. The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that it should not assume any management functions.

Other than the audit, our involvement with the NZASB, the NZAuASB and the XRAP, the employee relationship, and the relationship with the Auditor-General's Audit and Risk Committee, we have no relationship with, or interests in, the XRB.



SB Lucy

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

Appendix: Board Members

Members of the External Reporting Board during 2018-19

- Michael Bradbury, Research Professor, Massey University, Auckland (term expires 18 December 2021)
- Simon Carey, Director, Calibre, Financial and Commercial Advisory, Christchurch (resigned from the Board 10 May 2018 however Simon served on the Board until 6 March 2019)
- 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, Chair XRB (Chair appointment 1 May 2019) (term expires 30 April 2024)
- John Kensington, Head of Banking and Finance Audit Partner, KPMG, Auckland (term expires 18 December 2021)
- Graeme R Mitchell, (Chair) Chartered Accountant, Wellington (Chairman from 1 March 2014; retired 28 February 2019).
- Jane Taylor, Barrister and Professional Company Director, Queenstown (term expires 30 April 2023)
- Fergus Welsh, Chief Financial Officer, Ministry of Health (term expires 31 January 2020)
- Julia Fink, Chief Financial Officer, Upper Hutt City Council (appointed 1 May 2019, term expires 30 April 2024)
- Jacqueline Robertson Cheyne, Independent Director, (appointed 1 May 2019, term expires 30 April 2024).

Members of the New Zealand Accounting Standards Board during 2018-19

- Todd Bearsdworth, Assistant Auditor General, Accounting and Auditing Policy at the Office of the Auditor General, Wellington (resigned from the Board 31 December 2018)
- Nives Botica-Redmayne, Senior Lecturer in Accountancy at Massey University, Palmerston North (term expires 30 June 2022)
- Francis Caetano, Group Financial Controller, Auckland Council, Auckland (term expires 30 June 2022)
- 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 2021)
- Karl Hickey, Senior Finance Manager, Financial Policy and Advice, ANZ National Bank Ltd, Wellington (term expires 30 June 2021)
- Lyn Hunt, (Deputy Chair) Partner, PwC, Auckland (term expires 30 June 2020). Lyn has been granted leave of absence until the end of 2019
- 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)
- Richard Smyth, Deputy Chief Financial Officer, SkyCity Entertainment Limited, Auckland (term expires 30 June 2020)
- Denise Hodgkins, National Technical Partner- Assurance and Advisory- Deloitte, Auckland (temporary appointment to Board).

Members of the New Zealand Auditing and Assurance Standards Board during 2018-19

- Robert Buchanan, (Chair) Barrister and Solicitor, Wellington (Chair role appointed 1 July 2016, term expires 30 June 2022)
- Clyde D'Souza, Principal D'Souza Associates, Wellington (term expires 30 June 2022)
- Craig Fisher, Consultant to RSM Hayes Audit Limited and RSM New Zealand Group, Auckland (term expires 30 June 2021)
- John Kensington, (Deputy Chair) Head of Banking and Finance Audit Partner, KPMG, Auckland (term expires 30 June 2022)
- 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 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 expired 30 June 2019).

Further information about the Members of the XRB, NZASB and NZAuASB is available at www.xrb.govt.nz.



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EXTERNAL REPORTING BOARD
Te Kāwai Ārahi Pūrongo Mōwaho