

TE PŪRONGO A TAU

ANNUAL REPORT 2020

FOR THE YEAR ENDED 30 JUNE 2020



EXTERNAL REPORTING BOARD

Te Kāwai Ārahi Pūrongo Mōwaho

Presented to the House of Representatives in accordance
with Section 150(1) of the Crown Entities Act 2004

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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 2019/2020 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



The XRB has two Technical Standards 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 16 based predominantly in Wellington and Auckland



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

HE KUPU NĀ TE TOIHĀU CHAIR'S REPORT



Kia ora koutou,

As I reflect on my first year as Chair of the External reporting Board (XRB), I could not have imagined a more challenging year. I knew the year would be one of significant change due to the retirement of both our Chief Executive, Warren Allen, and Kimberley Crook, our longstanding New Zealand Accounting Standards Board (NZASB) Chair. Finding suitable replacements to build on the solid and stable base we are fortunate to have been entrusted with, was always going to be a challenge. I'll come back to those changes toward the end of this report, because, as you know, a different challenge presented itself in the form of the COVID-19 pandemic.

COVID-19

As New Zealand went in to lock down, just three months into our new Chief Executive's term, the XRB shifted gear in response. We immediately established a working group to identify the risks to the financial reporting supply chain; including the risks to the XRB itself. Maintaining Trust and confidence in financial reporting became more critical than

ever in the rapidly changing and uncertain environment. It quickly became clear that we weren't dealing with another Global Finance Crisis (GFC) type event, but something altogether different as the virus swept through our lives, impacting entities across New Zealand and the world.

Agility is not a word commonly attached to standard setters; our modus operandi is careful, thorough due process aligned with international standard setting priorities. Yet I am proud to say that the XRB Board, our two Technical Standards Boards, and XRB staff, embraced agility zealously as they moved to identify risks and develop corresponding mitigations. Responses to Frequently Asked Questions (FAQs), guidance material and alerts were published to assist preparers and auditors with the application of standards. We collaborated with other standard setters and key stakeholders in the financial reporting supply chain.

Collaboration and communication, I believe, played an important part in the XRB's successful fulfilment of its functions during the latter half



The XRB and its two technical standards Boards are focused on building trust and confidence in the financial reporting of corporate, public sector and Not-for-Profit organisations."

of this financial year which included numerous webinars, presentations, and an increased media presence. While the XRB itself suffered no material impact on our ability to fulfil our functions; I believe we made an important contribution to the maintenance of trust and confidence in New Zealand entities, irrespective of the sector they operate in.

INTERNATIONAL INFLUENCE

Our function of international influence and collaboration took a different approach since the beginning of 2020 when we cancelled all international travel well ahead of the lockdown. I want to highlight the effort and commitment of the New Zealand international standard setting board representatives, Lyn Provost, IAASB¹ and Todd Beardsworth IPSASB², their respective technical advisors Sylvia Van Dyk and Anthony Heffernan³, and Ken Warren, IFRS Advisory Council⁴ member, who each tirelessly attended virtual international board meetings during the small hours overnight here in New Zealand. I remain convinced that New Zealand's contribution

1 International Audit and Assurance Standards Board

2 International Public Sector Accounting Standards Board

3 Director of Audit & Assurance Standards and Director Accounting Standards

4 International Financial Reporting Standards Advisory Council

to international standard setting is highly sought after and valued. This is an impressive feat when taking into account the relative the size of our country when compared to others around the table.

THE FUTURE

COVID-19 has heightened the calls for entities to disclose more about what they contribute to society. More specifically, calls for enhanced environment and climate disclosures have also gained significant public support. As a result, we are currently exploring with the Minister an extension of our mandate to the development of standards in relation to integrated Environmental, Social, Governance (ESG) performance reporting by entities.

Following the work of Ministry of Business, Innovation and Employment (MBIE) and Ministry for the Environment (MfE) in issuing a consultation document in October 2019; the XRB has, under the leadership of the new Chief Executive, worked alongside the Minister for Climate Change to take forward the XRB's role in the development of standards and guidance for Climate Related Financial Disclosures (CRFD). While much background work has already happened, CRFD will be an important initiative for the XRB during the 2020/2021 year.

ACKNOWLEDGEMENTS

Thank you to our two technical standards Boards for their dedication and expertise during the year. Words of thanks are also due to our External Reporting Advisory Panel (XRAP) for their support of the XRB along with our two technical reference groups who provide welcome feedback to the XRB from our key stakeholders.

A very special thank you to Kimberley Crook who has been a member of the NZASB since July 2011, Chaired the NZASB since 2014 and has been a member of the XRB Board since February 2015. Kimberley completed her term as chair of the NZASB at 30 June 2020 and stepped down from the XRB in August 2020. Throughout her tenure Kimberley has worked tirelessly to ensure that the voice of New Zealand is heard in international fora, and that our domestic Standards meet the needs of New Zealand users. Kimberley's expertise will be missed. Thank you to XRB member Michael Bradbury for taking on the role of Acting Chair of the NZASB until Carolyn Cordery, takes up the chair position early in 2021.

Finally, I would like to thank Warren Allen who retired as our Chief Executive in December 2019.

We have been very fortunate to have had Warren Allen lead us through challenging times, and under whose leadership the XRB has become a strong and resilient organisation.

I know Warren's challenges for us to think strategically have built a solid foundation for the XRB on which April Mackenzie can build and take us into the future.

Thank you also to the Management Team and staff for their continued effort and dedication throughout the year.



Michele Embling

CHAIR
EXTERNAL REPORTING BOARD

BOARD HIGHLIGHTS



**COVID-19 Response
4 XRB alerts issued
and Not-for-Profit
Tier 3 FAQ's**



**Increased engagement
on extended external
reporting (EER)
in New Zealand**



**Four new New Zealand
specific accounting
standards issued.
13 new accounting
standards issued
in total**



**One new New Zealand
specific auditing
and assurance
standards issued.
Five new auditing and
assurance standards
issued in total**



**Strong engagement
with key international
organisations**

HE KUPU NĀ TE TUMUAKI 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."

Kia ora koutou,

As I look back on my first eight months as Chief Executive, I'd like to first thank my predecessor Warren Allen for the work he did in building an organisation with such a solid foundation and positive team culture. The investment he made into ensuring robust systems were in place and developing a healthy culture, enabled us to seamlessly navigate the challenges of lockdown and continue to do our work. It is an enviable position to be in, one which reflects well on the XRB, and is a demonstration of our commitment to excellence in our role as standard setters for Aotearoa, New Zealand.

Despite the disruption of COVID-19, the team admirably maintained the business as usual work of developing and issuing standards without interruption. In addition, we were able to produce targeted resources to support those organisations most affected by the pandemic. This included specific guides for auditor communication, XRB staff alerts on going concern disclosures, and the production of plain language FAQs for smaller Not-for-Profit entities.

OUR BOARDS

Our Boards and advisory panel members also made valuable contributions throughout the pandemic. The Boards adapted and kept things running smoothly and provided insights on new ways of operating, some of which we have now adopted on an ongoing basis.

Throughout the year, the XRB Board and its technical standards Boards have focused on maintaining open communication with our key stakeholders. Their commitment to discussing important issues and working collaboratively to deliver the best result is commendable.

I'd like to welcome new technical standards Board Members, Denise Hodgkins and Robert Cox who have joined the New Zealand Accounting Standards Board (NZASB) and New Zealand Audit and Assurance Standards Board (NZAuASB) respectively. I'm also delighted that Craig Fisher, whose term on the NZAuASB ended this year, has agreed to take up the role of Chair for the External Reporting Advisory Panel. Many thanks also to the contributions by Lyn Hunt, Charles Hett, and

Chong Lim whose terms have come to an end this year.

Last but my no means least, I'd like to acknowledge Kimberley Crook, who stepped down from her roles as Chair of the NZASB and XRB Board member this year. Kimberley's work, which spans nearly a decade, has had a significant impact on the development of New Zealand reporting standards. Her knowledge and expertise will be greatly missed by fellow Board members and the XRB team.

INTERNATIONAL CONNECTIONS

The credibility of external reporting by all entities in Aotearoa New Zealand is enhanced by the role New Zealand plays on the international standard setting scene. Our ability to influence the development of international standards; along with our domestic standards, means that organisations can compete effectively for capital. Prior to the advent of COVID-19 border restrictions, we were fortunate to host representatives from the International Standard Setting Boards. Sylvie Soulier of the IESBA⁵, Ian Carruthers as IPSASB⁶ Chair, Tom Seidenstein as

5 International Ethics Standards Board for Accountants

6 International Public Sector Accounting Standards Board

EXTERNAL REPORTING BOARD

IAASB⁷ Chair, and Fiona Campbell as IAASB Deputy Chair.

OPPORTUNITIES AHEAD

The advent of COVID-19 and the impact on communities, businesses and more broadly, the economy, is unprecedented. In this climate of uncertainty, the provision of a reporting framework that promotes public trust and confidence in New Zealand's financial reporting system is now more than ever, critical. Doing this effectively, requires us to recognise that all reporting entities, be they for-profit or for public benefit, large or small, are integral to the functioning of New Zealand's economy.

Improving public trust and confidence requires us to be proactive and purposeful in our engagement and communication with a broad range of stakeholders. We have been taking steps to increase the public profile of the XRB by increasing our media presence and maintaining and building on this effort will be a key focus for us going forward. We must also engage more with Māori Chief Financial Officer's (CFOs) in recognition of the unique perspective they offer, as well as the particular challenges faced by their organisations.

Economic drivers have shifted in a post COVID economy. Across the globe, investors and the public, are increasingly calling for external reporting to include information beyond just the financials. The demand for climate related

disclosures to be included in Extended External Reporting is only expected to increase. The New Zealand Government has responded to this demand and in September this year Cabinet announced that large financial organisations in New Zealand will, by 2023, need to disclose how exposed their business and investments are to climate change-related risk. The XRB has been tasked with delivering on this initiative and as a result, our mandate is to be expanded to accommodate this work.

Our challenge for the next couple of years will be to develop a reporting framework that aligns with the Financial Stability Board's Task force on Climate-Related Financial Disclosures (TCFD) framework and factors in the views of local stakeholders and the broad range of entities the standard will apply to. It is a truism, but I believe every challenge is an opportunity. As I head into my first full year as CE of the XRB, I'm excited to meet the challenges ahead and in doing so, harness the opportunities they present as we continue to deliver value for Aotearoa New Zealand.

Ngā mihi



April Mackenzie
CHIEF EXECUTIVE

MICHAEL BRADBURY, Research Professor, Massey University, Auckland (term expires 18 December 2021).

JACQUELINE ROBERTSON CHEYNE, Independent Director (appointed 1 May 2019, term expires 30 April 2024).

KIMBERLEY CROOK, Self employed Chartered Accountant, Auckland (retired 11 August 2020).

BILL EDGE, Chairman of Financial Reporting Council Australia, Melbourne (reappointed to 28 July 2022).

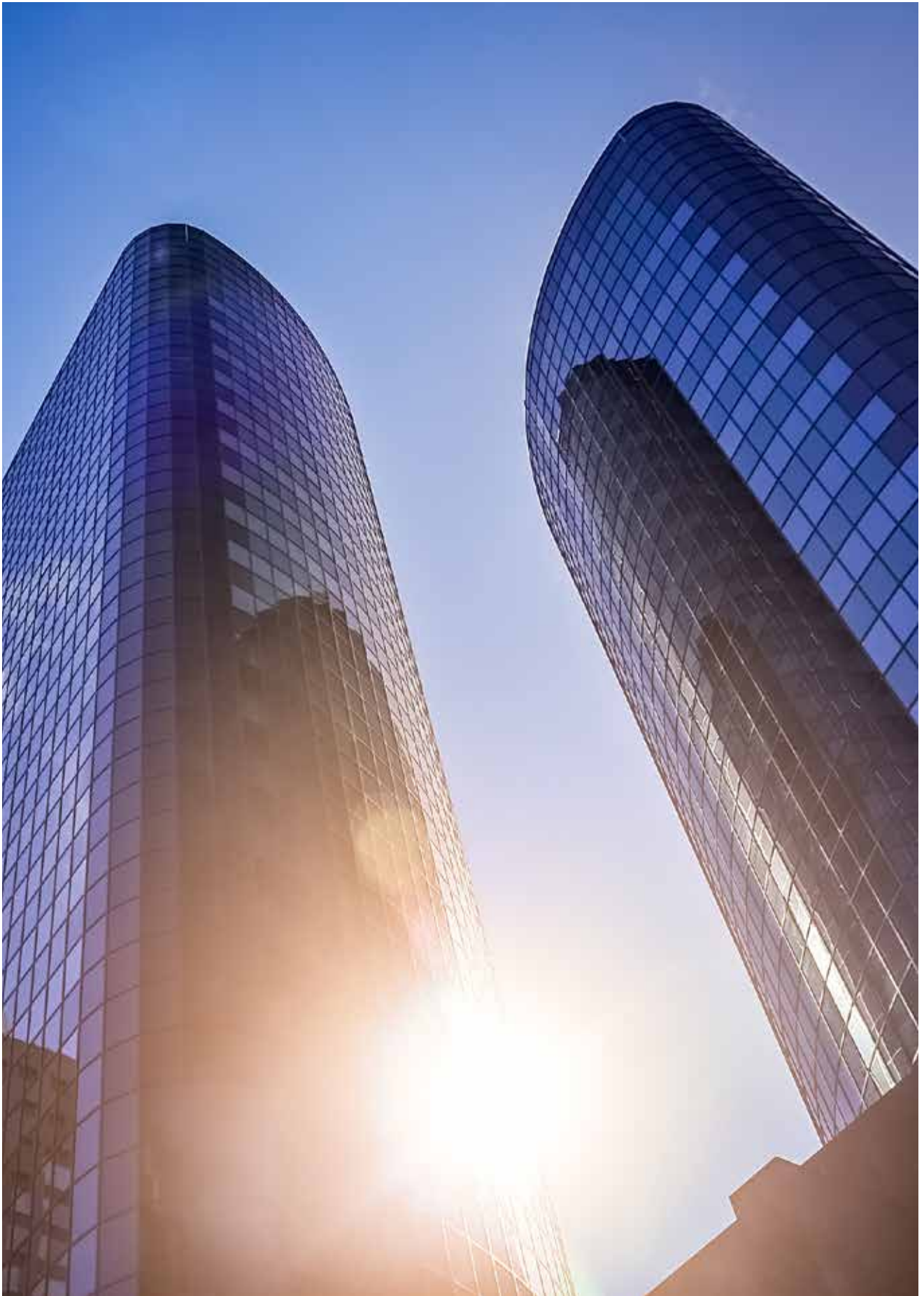
MICHELE EMBLING, former Chair and Partner, PwC, Auckland, Chair XRB (Chair appointment 1 May 2019) (term expires 30 April 2024).

JULIA FINK, Chief Financial Officer, Upper Hutt City Council (appointed 1 May 2019, term expires 30 April 2024).

JOHN KENSINGTON, Head of Banking and Finance Audit Partner, KPMG, Auckland (term expires 18 December 2021).

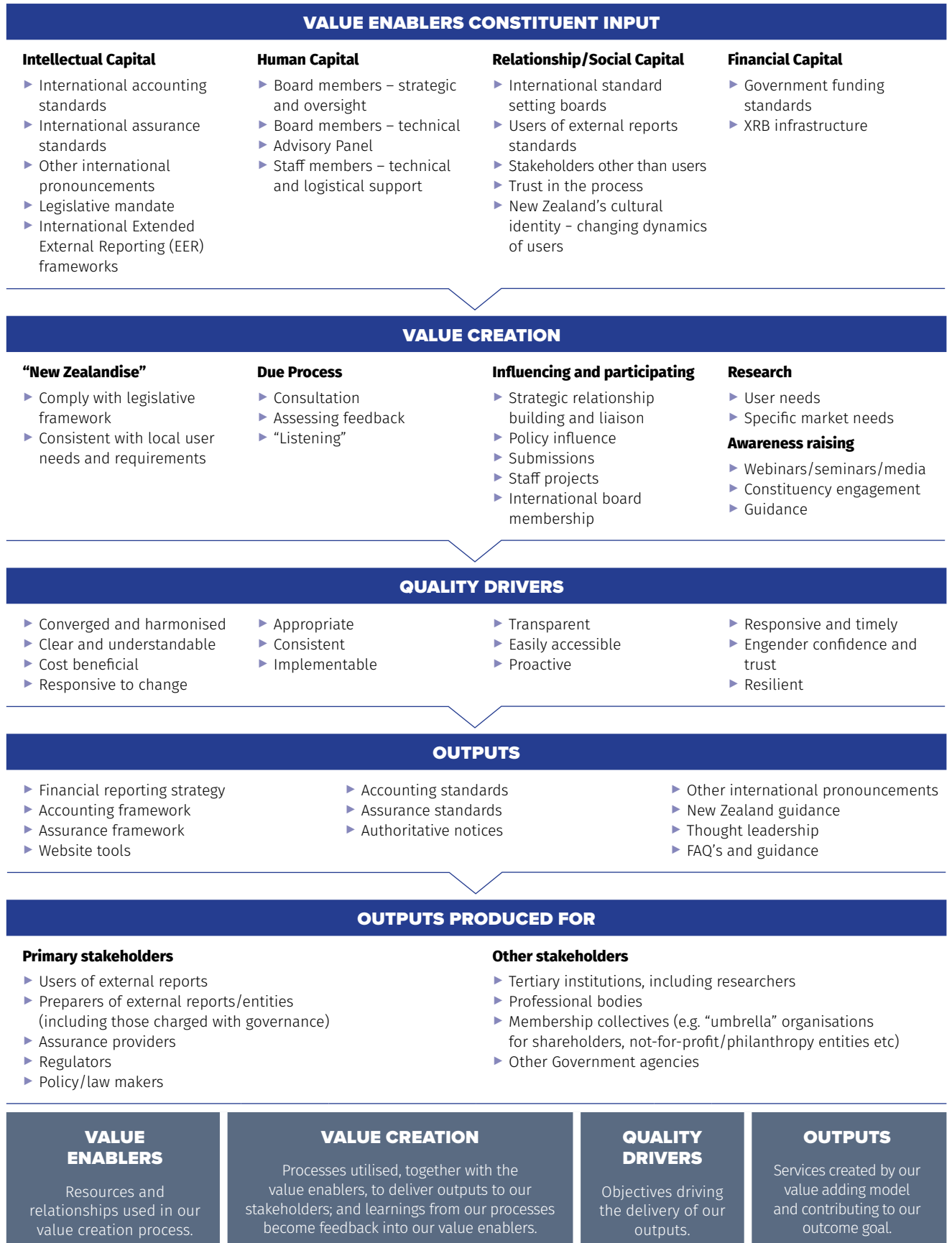
JANE TAYLOR, Deputy Chair, Barrister and Professional Company Director, Queenstown (term expires 30 April 2023).

FERGUS WELSH, Chief Financial Officer, Ministry of Health (reappointed to 31 January 2025).



TE WĀHANGA KI A MĀTOU WHAT WE DO

OUR VALUE ADDING MODEL



**HE AHA TĀ
MĀTOU I MAHI AI
WHY WE DO WHAT WE DO**



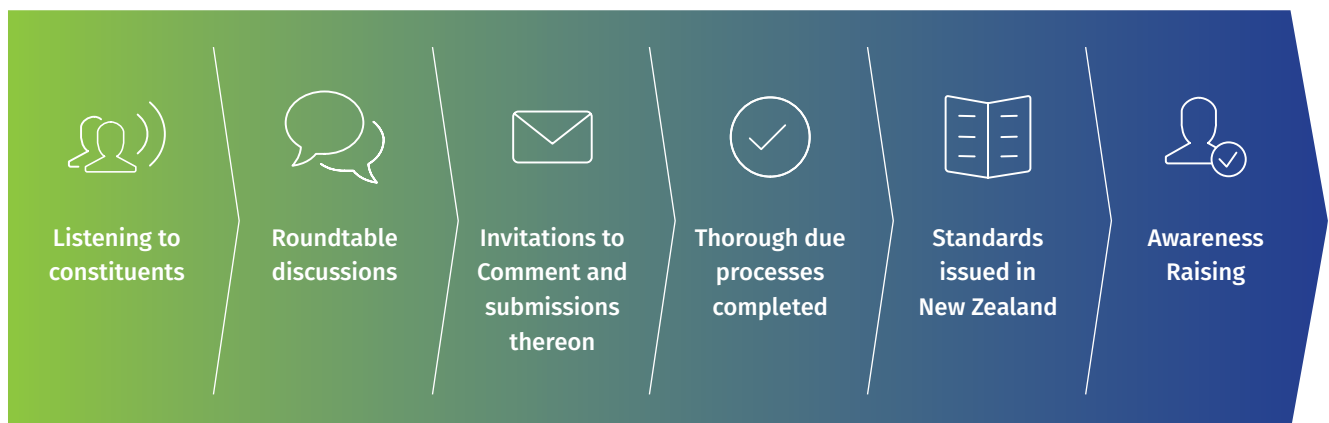
XRB'S OUTCOME AND OUTPUT PERFORMANCE FRAMEWORK



PĒHEA TE ĀHUA O TĀ MĀTOU MAHI HOW WE DO IT

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

DETAILED CONSULTATION IS UNDERTAKEN BY:



CASE STUDY

XRB COVID-19 RESPONSE



Our financial reporting and auditing standards give New Zealand trust and confidence in the financial reporting of corporate business, government agencies and charities.

It is this trust and confidence in financial reporting that is even more critical in the current environment where COVID-19 is impacting the operations of all reporting entities across all sectors of New Zealand.

We are aware that preparers of financial accounts and auditors are all facing practical difficulties in preparing financial statements and carrying out audits. We further expect, given the current uncertainty and volatility of the economy, that more entities and auditors will need to consider reporting on material uncertainties relating to going concern.

We have produced four Alerts giving preparers and users of financial reports guidance relating to going concern disclosures and assurance requirements, and to explain the meaning of various modifications to the audit report we expect to see in the current environment.

In addition, we have created a section on our website which collated guidance and other useful information related to COVID-19 implications for accounting and auditing standards.

Standards were reviewed to ensure they were fit for purpose with start dates being deferred as necessary (PBE FRS 48 *Service Performance Reporting* commencement was deferred 12 months to 1 January 2022). One standard was amended to ensure it was easier for lessees to account for rent concessions granted because of COVID-19 (rent holidays and temporary rent reductions). Two exposure drafts addressing the need for more specific going concern disclosures were approved in June 2020. Whilst the auditing and assurance standards remained unchanged this area created significant additional material in the form of FAQs.

Collaboration and communication is more critical now amongst all the various stakeholders in the financial reporting chain to maintain trust and confidence in financial reporting and since the onset of the COVID-19 crises. The XRB has been reaching out to key stakeholders, including Financial Markets Authority (FMA) and Institute of Directors (IOD), and other international and national standard setters. The purpose of this outreach is to understand what practical issues are being encountered with the standards, and to determine what we can do to assist in maintaining trust and confidence in financial reporting in New Zealand.

We are continuing to conduct focused constituency engagement activities to stay ahead of the curve on financial reporting and auditing issues in response to COVID-19 as they start to evolve and will consider appropriate actions in response.



XRB COVID-19 RESPONSE

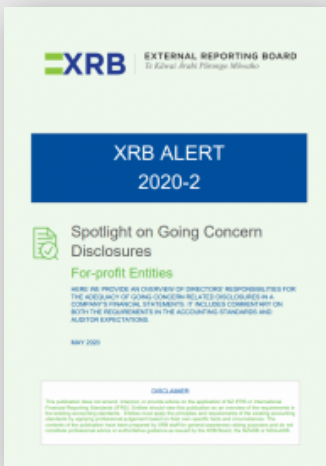


XRB ALERT 1

What can you expect from auditor reports in response to COVID-19?

Here we explain the communication tools auditors use in auditor reports and the likely impact of COVID-19 on auditor reporting, including

- ▶ More modified auditor opinions;
- ▶ More disclosures in Auditor Reports; and
- ▶ The impact of going concern matters on the auditor's thought process and auditor's report

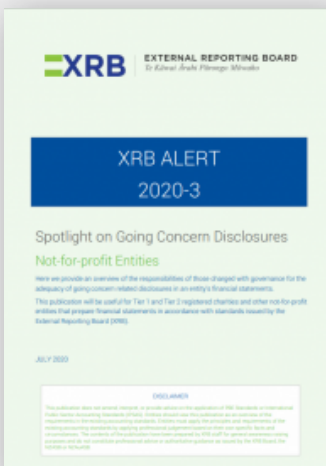


XRB ALERT 2

What is the impact on going-concern disclosures in response to COVID-19?

Going concern uncertainty is a reality for many companies, so good disclosure is an opportunity to communicate that reality in a clear and transparent way.

Here we provide an overview of Directors' responsibilities for the adequacy of going concern related disclosures provided in a company's financial statements. It includes commentary on both the requirements in the financial reporting standards and auditor expectations.



XRB ALERT 3

What is the impact on going concern disclosures in response to COVID-19?

Going concern uncertainty is a reality for Not-for-Profits, so good disclosure is an opportunity to communicate that reality in a clear and transparent way.

Here we provide an overview of the responsibilities of those charged with governance for the adequacy of going concern related disclosures in an entity's financial statements.

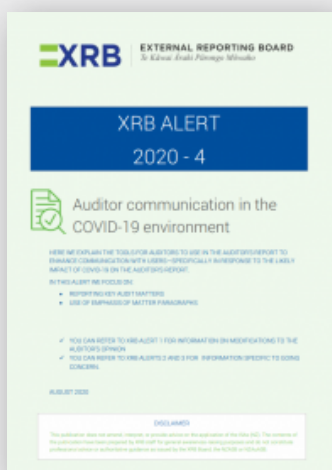


NOT-FOR-PROFIT TIER 3 FAQs

Assessing and reporting on your entity's ability to continue operating

This series of FAQs will help the governing bodies of Tier 3 Not-for-Profit entities understand their responsibilities to assess and report on their entity's ability to continue operating.

In periods of increased uncertainty (such as that caused by COVID-19), providing this information is an important part of helping readers to understand your performance report.



XRB ALERT 4

Auditor communication in the COVID-19 environment

Here we explain the tools for auditors to use in the auditor's report to enhance communication with users—specifically in response to the likely impact of COVID-19 on the Auditor's report.

In this alert we focus on:

- ▶ Reporting Key Audit Matters
- ▶ Use of Emphasis of matter paragraphs.

HE RAWA MŌ NGĀ MAHI KIA TUTUKI OWNERSHIP PERFORMANCE

SCOPE OF BUSINESS

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

- Financial Reporting and Audit & 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 2020 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.

Financial Measure	2019/20 Actual (\$'000)	2019/20 Budget (\$'000)
Revenue – Government appropriation	4,410	4,410
Interest – Other	37	48
Expenses	4,599	5,098
Operating Surplus/(Deficit)	(152)	(640)
Equity	2,027	1,344
Net Cash Flows from Operating Activities	(181)	(424)
Net Increase / (Decrease) in Cash	616	(184)

OPERATING

An operating deficit was generated during the financial year. The reasons for the major variations in specific expense items are outlined in Note 18 to the financial statements.

The XRB proposes to fund this deficit through retained earnings.

The XRB has commenced a cost pressure budget bid in late 2020 to fund our activities as specified in the Statement of Intent 2020–2025.

CAPITAL EXPENDITURE

Capital expenditure total spend for the year was \$49,000. The majority of the capital expenditure spend related to the upgrade of the Silverstripe website platform. At year end we had spent \$24,000 of the budgeted \$30,000 and this is classified as Work in Progress at year end. The upgrade project was completed in August 2020 and has been capitalised in October 2020. Other capital expenditure includes the purchase of three new surface pro laptops for new staff and office furniture.

ACQUISITIONS

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

**TE PŪKENGA
TARA Ā-WHARE**

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.

2019/20 Actual	2019/20 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 near 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.

	2019/20 Actual	2019/20 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 cloud server backup in place	Offsite cloud server backup in place

ĒTAHI ATU TAKE OTHER MATTERS

EMPLOYER INFORMATION

WORKFORCE PROFILE

The XRB received two resignations and one retirement during the year. The XRB's workforce profile is as follows:

	2019/20	2018/19
Workforce component		
Employees	16	17
Part-time	6	5
Women	75%	70%
Women in Management Team	75%	50%
Non-Pākehā Ethnicity	6%	12%
Māori	0%	0%
Pacific	0%	0%
Employees with Disabilities	0%	0%

	2019/20	2018/19
Workforce Age Profile		
Under 30 years of age	1	1
30-39 years of age	2	3
40-49 years of age	5	5
50-59 years of age	5	5
≥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 participate 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 two major geographical areas (Wellington and Auckland) to ensure we can recruit and retain the best possible staff regardless of location. The organisation has six part-time staff members. Staff were able to easily work remotely during the COVID-19 lockdown, and many have continued to work remotely since lockdown improving work life balance. 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. The review considers individual performance, market conditions, and any advice from

the State Services Commission relating to remuneration setting. External providers are used to provide job sizing and market data to ensure that remuneration is market related.

The XRB's gender pay gap has improved to negative 28.0% due to the recruitment of a female Chief Executive (2019: positive 4.5%).

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 negative 12.88% (2019: 15.3%). The gap reflects the differing seniority (and therefore salaries) of various positions in the XRB organisation.

Harassment and Bullying Prevention

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

Safe and Healthy Environment

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

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

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

**ĒTAHI ATU PĀRONGO I RUNGA I NGĀ
WHAKAHAU A TE TURE HINONGA KARAUNA 2004**

**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.



**TE TAUAKI MŌ NGĀ
MAHI KIA TUTUKI**

STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2020

In this Part, we report on the services we were funded to deliver in 2019/20, how we delivered those services and the impact we had on our outcome goal.

TE TAUAKI MŌ NGĀ MAHI KIA TUTUKI STATEMENT OF PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2020

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: financial reporting and audit & assurance standard setting and associated strategy setting functions.

Output Class	2019/20 Actual	2019/20 Budget	2018/19 Actual
Description Financial reporting and assurance standard setting and associated strategy setting functions	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)	37	48	67
Expenses (\$000)	4,599	5,098	4,807
Operating Surplus/(Deficit) (\$000)	(152)	(640)	(330)

* 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 20–39 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 financial reporting and auditing & assurance standards and associated documents that align with international standards and are harmonised with Australian standards where applicable.

OUTCOME GOAL – PERFORMANCE STATEMENT

We have three outcomes we seek to impact and influence. The XRB's Outcome Goal is: the establishment of financial reporting and audit & assurance standards that:

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

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

The performance measures established against our outcome goal and an explanation of the impacts and influences we achieved for the 2019/20 financial year, are included in the table below:



INCREASED CONFIDENCE

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

XRB Outcome Measures 2019/20

- ▶ There has been no change to the policy of adopting international standards, sector-specific standards or the Tier Strategy in the 2019/20 financial year. The Minister was not required to approve any new, or amended, strategy or framework.
- ▶ As at 30 June 2020 the for-profit standards in Australia and New Zealand remained largely harmonised. However, in May 2020 the XRB agreed to defer making any changes to NZ IFRS RDR⁸ following the introduction in Australia of a new Tier 2 disclosure standard in March 2020, and instead wait for the International Accounting Standards Board (IASB) project on disclosures for Small and Medium Enterprises (SMEs) that are subsidiaries, as that might provide a future reduced disclosure approach for both countries. This decision will result in some differences between Australia and New Zealand for-profit Tier 2 entities disclosure requirements over this interim period.
- ▶ There were no legislative changes in the 2019/20 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 Targeted Review of the Accounting Standards Framework (ASF) was completed in November 2019. The XRB received nineteen submissions on the Discussion Paper (DP). The feedback received has been very useful in confirming that the ASF is generally operating as intended and as such the ASF does not need to be refined at the present time. The feedback also helped identify refinements to the PBE⁹ Policy Approach and other projects for future consideration.

8 NZ IFRS RDR – New Zealand International Financial Reporting Standard Reduced Disclosure Regime

9 PBE – Public Benefit Entity



IMPROVED COMPETITION

Appropriately converged and harmonised financial reporting and assurance standards that ensure adaptability, comparability and access to funding and capital

XRB Outcome Measures 2019/20

- ▶ The XRB continued with its policy of influencing international boards in the 2019/20 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), the International Accounting Standards Board (IASB), the International Audit and Assurance Board (IAASB) 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 (EER). Two New Zealand specialists are currently appointed to this PAP.
- ▶ The XRB and its Technical Standards 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.¹⁰
- ▶ New Zealand continues to rank highly for the strength of its auditing and reporting standards. In the *Strength of Auditing and Reporting Standards Index* in the Global Competitiveness Report 2019¹¹ by the World Economic Forum, New Zealand ranked 8th out of 141¹² countries for the strength of its auditing and reporting standards (compared to 9th out of 140 countries in 2017-2018).
- ▶ The XRB continues to closely monitor overseas practices and developments on non-financial reporting, which are rapidly gaining momentum. This includes 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 EER, including information on sustainability, diversity, business risks, corporate governance and relationships with stakeholders and the manner in which they are reported. The XRB has been working closely with the Minister for Climate Change to take forward the development of standards and guidance for Climate Related Financial Disclosures.



IMPROVED ACCOUNTABILITY

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

XRB Outcome Measures 2019/20

- ▶ The Targeted Review of the Accounting Standards Framework (ASF) was completed in November 2019. The XRB received nineteen submissions on the Discussion Paper (DP). The feedback received has been very useful in confirming that the ASF is generally operating as intended and as such, the ASF does not need to be refined at the present time. The feedback also helped identify refinements to the PBE Policy Approach and other projects for future consideration.
- ▶ There have been no negative findings in a recent FMA report entitled 'Audit Quality Monitoring' relating to Audit Standards.

¹⁰ See the Performance Statements for Output 1, Output 2 and Output 3 for the quality and timeliness measures and the footnotes under Output 1, Output 2 and Output 3 for the number of submissions made by each Board

¹¹ Global-competitiveness-index 2018-2019. www.weforum.org/reports/the-global-competitiveness-report-2018-2019

¹² New Zealand is assigned the 8th rank in 2019, its rating of 6.1 out of 7 is the slightly higher than the prior year at 6.0 out of 7

OUTPUTS – PERFORMANCE STATEMENT

As detailed earlier, the XRB specified three key outputs for the 2019/20 year;

Output 1: Developing Financial Reporting Strategy;

Output 2: Developing and issuing Financial Reporting 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 2019/20 are included in the table below:

OUTPUT 1: Developing Financial Reporting Strategy

	2019/20 Actual \$'000	2019/20 Budget \$'000	2018/19 Actual \$'000
Revenue from the Crown	529	529	529
Interest and Other Income	4	6	8
Actual expenses	166	231	194
Attributed Overhead costs and other revenue	145	127	153
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	Note 1	Ongoing throughout the year	Ongoing throughout the year
Amendments to Tier Strategy	No amendments required	No amendments required	No amendments required

Note 1: It was brought to the attention of the XRB that there was a lack of clarity in the XRB A1 Guidance document, *EGA1 Guide to the application of Accounting Standards Framework*, as relates to the definition of public accountability. The guidance document was inconsistent with the standard XRB A1 Application of Accounting Standards Framework. The guidance document has now been amended.

APPROACH

Maintain the existing financial reporting strategy including the two-sector, multi-standards, multi-tier Accounting Standards Framework. Enhance constituency engagement and support. Continue the international convergence and harmonisation approach (where applicable) for both financial reporting and auditing & assurance standards.

To be achieved by ...	Performance measure	Forecast for 2019/20	Actual for 2019/20
<p>Enduring policy of sector-specific standards and Tier Structure.</p> <p>Financial reporting strategy and standards frameworks that are:</p> <ul style="list-style-type: none"> ▶ Reliable and require infrequent changes; ▶ Consistent with legislative frameworks; and ▶ Responsive to legislative changes and stakeholder feedback. ▶ Undertake XRB organisation stakeholder survey every two years. ▶ Maintaining capability within a financially prudent organisation. 	Formal requests for changes to the financial reporting strategy.	0	0
	Amendments to Tier Strategy submitted to Minister for approval.	0	0
	Formal requests for changes to standards frameworks.	0	0
	Legislative changes and stakeholder feedback monitored and incorporated into standards frameworks (where relevant).	0	0
	Monitoring standards frameworks to ensure any relevant changes needed are made in a timely manner.	On-going throughout the year.	The XRB completed a targeted review of the Accounting Standards Framework (ASF) during the 2019/20 year. No changes were recommended to the ASF as a result of the targeted review.
	Any amendments to Tier Strategy consistent with statutory requirements.	100% compliance. No amendments.	100% compliance. No amendments.
	Reputation of XRB from stakeholder survey.	The information provided by the XRB was helpful – at least 80% Standards are relevant to New Zealand stakeholders – at least 80%	No stakeholder survey was undertaken during this year. The XRB intends to conduct this survey in 2021.
	Maintain a high performance culture to achieve XRB's outcome goals.	Retention of diverse and highly qualified Board members and staff.	100% compliance.
	Operating in a financially prudent manner.	Staff turnover is kept to less than 10%.	Annualised turnover was 17.14%. We continue to monitor this measure.
	Maintaining the level of capability needed to deliver the outputs required.	Annual review of Board membership to ensure diversity. Ensure sufficient funding to carry out legislative mandate. XRB Board reviews budgets and financial reports presented at each Board meeting.	100% compliance. The XRB is undertaking a cost pressure bid for 2021/22 and outyears. 100% compliance.

To be achieved by ...	Performance measure	Forecast for 2019/20	Actual for 2019/20
<p>Developing standards in a collaborative manner with the constituency by:</p> <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; ▶ Encouraging, facilitating and supporting other relevant organisations to provide appropriate training and professional development activities relating to financial reporting; and ▶ Working with other agencies to ensure financial and non-financial reporting and assurance gaps are identified and addressed. 	<p>External Reporting Advisory Panel (XRAP) and Technical Reference Groups (TRG) comprise a wide representation of stakeholders. The XRB reviews membership annually to review diversity, balance and/or appropriateness of membership appointments.</p>	100% compliance.	<p>Refer XRAP member list at page 62.</p> <p>A new Chair has been appointed to XRAP from May 2020 and a membership review will be conducted in early 2021.</p>
	<p>Number of webinars, roundtables, podcasts, presentations, articles, blogs, thought leadership seminars/lectures held.</p>	<p>Number of webinars, roundtables, podcasts, articles, presentations, blogs, thought leadership seminars/lectures (including the Tony Dale Memorial lecture) organised as required.</p> <p>Financial Reporting: 10 Auditing: 46</p> <p>Number of attendees: over 1,500.</p>	<p>Financial Reporting: total outreach events: over 25</p> <p>Financial Reporting: total attendees at outreach events: over 1,900</p> <p>Audit: total outreach events: over 10</p> <p>Audit: total attendees at outreach events : 600</p>
	<p>Number of EER presentations to raise awareness of benefits.</p>	5 high profile speaking events.	6 high profile speaking events conducted.
	<p>Contact regulators and key stakeholders in New Zealand to raise awareness of EER.</p>	5 key meetings during the year.	6 key meetings conducted.
	<p>Discussions and collaborative work with policy makers and other key stakeholders to identify and address financial and non-financial reporting and assurance gaps.</p>	5 key meetings.	6 key meetings conducted.
	<p>Work with international Boards to address any gaps.</p>	On-going.	On-going.
	<p>Enduring policy of international convergence/ harmonisation.</p>	<p>Anticipated changes to the Government policies of international convergence/ harmonisation.</p>	0 ¹³

13 The continued importance of harmonisation for the for-profit standards will be considered as part of the 2019/20 Post Implementation Review (PiR)

14 The PiR was completed during the 2019/20 year and no changes to the approach of seeking harmonisation for for-profit standards were made as a result of feedback received

OUTPUT 2: Developing and Issuing Financial Reporting Standards

	2019/20 Actual \$'000	2019/20 Budget \$'000	2018/19 Actual \$'000
Revenue from the Crown	2,470	2,470	2,470
Interest and Other Income	21	27	38
Actual expenses	2,142	2,411	2,228
Attributed Overhead costs and other revenue	678	591	716
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	Note 1	100% compliance	100% compliance
Timeliness			
Due process documents and standards relating to the financial reporting 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 financial reporting 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

Note 1: As at 30 June 2020 the for-profit standards in Australia and New Zealand remained largely harmonised. However, in May 2020 the NZASB (confirmed on 14 July by the XR) (note the 25 June scheduled meeting was deferred to 14 July 2020) agreed to defer making any changes to NZ IFRS RDR (New Zealand International Financial Reporting Standard Reduced Disclosure Regime) following the introduction in Australia of a new Tier 2 disclosure standard in March 2020, and instead wait for the International Accounting Standards Board (IASB) project on disclosures for SMEs that are subsidiaries, as that might provide a future reduced disclosure approach for both countries. This decision will result in some differences between Australia and New Zealand for-profit Tier 2 entities disclosure requirements over this interim period.

APPROACH

Maintain and enhance existing financial reporting standards

To be achieved by ...	Performance measure	Forecast for 2019/20	Actual for 2019/20
Maintaining existing financial reporting 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. 	Through environmental scan reports and user needs research, ascertain feedback on New Zealand corporate reporting relating to transparency, understandability and meeting user needs.	No significant negative comments/feedback.	Increasing demand for Climate Related financial disclosures and Extended External Reporting by users and the Government. The XRB is currently working with the Government to extend the XRB's mandate in this area of reporting.
	Through meetings / correspondence with regulatory bodies e.g FMA and Charities Services, ascertain feedback in relation to the requirements of standards.	No significant negative comment/feedback.	No significant negative comment / feedback.
Enhancing existing financial reporting 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. 	Number of requests made to policy makers to expand XRB mandate.	No new requests anticipated.	Following a Ministry of Business, Innovation and Employment (MBIE) and Ministry for the Environment (MfE) paper in October 2019, we indicated a willingness to have the XRB mandate extended under S17(2) for integrated reporting.
	XRB submissions on relevant consultation documents.	As required and in compliance with specific response dates.	The XRB responded to five and the NZASB responded to two key submissions during the year. Refer page 39 for further details.
Ensuring transparent due process and consultation.	Number of formal requests from stakeholders for New Zealand-specific amendments to issued standards that are not related to legislative or standards frameworks.	Financial Reporting Standards – Nil ¹⁵	Financial Reporting Standards – Nil¹⁶
	Number of New Zealand-specific standards developed and/or issued.	1-2 Financial Reporting Standards.	4 – Financial Reporting Standards¹⁷

15 During the 2019/20 period we are planning to complete a Post Implementation Review of our Tier 3 and Tier 4 Public Benefit Entities (PBE) financial reporting requirements. This may lead to the receipt of submissions requiring specific amendments to current Standards applicable to PBEs

16 In response to COVID-19 the Tier 3 and 4 Post Implementation Review has been deferred until the 2020/21 year

17 All 4 of the New Zealand specific financial reporting standards were amending standards which were required to maintain the integrity of the current suite of financial reporting standards

To be achieved by ...	Performance measure	Forecast for 2019/20	Actual for 2019/20
	Standards reflect relevant international standards with departures only to improve quality for the New Zealand environment.	100% compliance.	100% compliance.
	For-profit financial reporting standards and auditing & assurance standards harmonised with Australia (where appropriate).	100% compliance.	100% compliance.¹⁸
	Standards development follows statutory due process requirements.	100% compliance.	Refer Note 1.
	Standards issued in time for the commencement date to be no later than the international commencement date (where relevant).	100% compliance.	100% compliance.
	Referrals from regulatory agencies and other stakeholders relating to deficiencies in standards are dealt with in a timely manner (within six months).	100% compliance.	Nil referrals.

Note 1: We note one instance of non compliance with due process in March 2020 where the XRB did not fully follow due process in gazetting Notice No. 158 "Interest Rate Benchmark Reform" where the appropriate approval from Minister Fafoi was not obtained and thus copies not sent to the Bills office. We have since rectified this issue and amended our process.

¹⁸ As at 30 June 2020 the for-profit financial reporting standards in Australia and New Zealand remained largely harmonised. However, in May 2020 the NZASB (confirmed on 14 July by the XRB)(note the 14 July meeting was deferred from 25 June scheduled meeting) agreed to defer making any changes to NZ IFRS RDR following the introduction in Australia of a new Tier 2 disclosure standard in March 2020, and instead wait for the International Accounting Standards Board (IASB) project on disclosures for SMEs that are subsidiaries, as that might provide a future reduced disclosure approach for both countries. This decision will result in some differences between Australia and New Zealand for-profit Tier 2 entities disclosure requirements over this interim period

APPROACH

Undertake User-needs Research

To be achieved by ...	Performance measure	Forecast for 2019/20	Actual for 2019/20
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; and ▶ to provide thought leadership. 	Number of research projects undertaken to determine needs of users of financial reports.	Commence 1 project – in house.	Nil research projects were undertaken during the year.
	Findings of user-needs research indicates appropriateness of financial reporting standards to users.	No significant negative conclusions from research findings about appropriateness of standards.	Nil user needs projects undertaken during 2019/20.
	Communication of research findings to international standard setting boards.	As required.	Nil projects were undertaken during the year.
	Communication of, and engagement with, local constituents on research findings and emerging issues.	As required.	Nil research conducted during 2019/20.
	Collaborations with others in research activities relating to corporate reporting, and appropriateness of standards.	As appropriate.	Nil research projects were undertaken during the year.

APPROACH

Influence the International Boards

To be achieved by ...	Performance measure	Forecast for 2019/20	Actual for 2019/20
<p>Seeking to influence the work of the international boards during the early stages of standards development:</p> <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 	<p>Attendance at meetings and working with international boards to influence international standard setting.</p>	Attend all relevant international board meetings.	<p>Attended all four meetings of IPSASB during the year.</p> <p>Other international meetings attended:</p> <ul style="list-style-type: none"> ▶ World Standard Setter conference 2019 ▶ International Forum of Accounting Standard Setters 2019 ▶ Asia Oceanian Standard Setters Board (AOSSG) 2019 meeting
	<p>Participation as members on relevant international boards, regional groupings, working groups and task forces.</p>	<p>Ensure representation on relevant international boards, regional groupings, working groups and task forces.</p> <p>Staff secondments to relevant international standard setting bodies.</p>	<p>Nil representation during the 2019/20 year.</p>
	<p>Host international visitors from relevant international organisations.</p>	As appropriate.	<ul style="list-style-type: none"> ▶ August 2019 – Sue Lloyd – IASB Vice-Chair attended the NZASB Board meeting ▶ February 2020—Ian Carruthers – Chair of the IPSASB – met with both Technical Standards Boards on EER
	<p>Submissions to international Boards on relevant issues and consultation documents.</p>	As appropriate.	<p>XRB – 2 submissions</p> <p>NZASB – 2 submissions</p>
	<p>Environmental scans of developments and major disruptions to the international standard setting structure and environment are reported to each XRB Board meeting and to each Technical Standards Board meeting.</p>	100% compliance.	100% compliance.
	<p>XRB responds to developments and disruptions as appropriate.</p>	100% compliance.	<p>The XRB has made several submissions during the year on International developments. Refer to page 39 for further details.</p>

OUTPUT 3: Developing and Issuing Auditing & Assurance Standards

	2019/20 Actual \$'000	2019/20 Budget \$'000	2018/19 Actual \$'000
Revenue from the Crown	1,411	1,411	1,411
Interest and Other Income	12	15	21
Actual expenses	1,081	1,400	1,108
Attributed Overhead costs and other revenue	387	338	408
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.

APPROACH

Maintain and enhance existing auditing & assurance standards

To be achieved by ...	Performance measure	Forecast for 2019/20	Actual for 2019/20
Maintaining existing 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. 	New Zealand's ranking for the strength of its auditing and reporting standards in the Global Competitiveness Report by the World Economic Forum to remain in the top 5 of countries surveyed.	100% compliance. We would anticipate being ranked 9th out of 140 countries as per prior year.	In the 2019 Global Competitiveness report by the World Economic Forum, New Zealand ranked 8th out of 141 countries. Our score has improved from 83.9 (2019) to 84.7.
Enhancing existing 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. 	Through relevant meetings / correspondence obtain comments / feedback in relation to audit quality in New Zealand with respect to the suite of auditing & assurance standards.	No significant negative comment / feedback.	The FMA Audit Quality Monitoring Report 1 July 2018–30 June 2019 released late 2019 provided no negative comments or feedback in relation to the suite of auditing and assurance standards.
Ensuring transparent due process and consultation.	Number of modified audit reports received relating to deficiencies in financial reporting and/or auditing & assurance standards.	No modified audit reports received relating to deficiencies in financial reporting and/or auditing & assurance standards.	No modified audit reports received relating to deficiencies in financial reporting and/or auditing & assurance standards.
	Number of requests made to policy makers to expand XRB mandate.	No new requests anticipated.	During the year, the Omnibus Bill including the change to the Financial Reporting Act of our mandate paragraphs to enable the XRB to issue standards or guidance on Agreed upon Procedures (AUPs) received royal assent.
	XRB submissions on relevant consultation documents.	As required and in compliance with specific response dates.	The XRB responded to five and the NZAuASB responded to 10 key submissions during the year. Refer page 39 for further details.
	Number of formal requests from stakeholders for New Zealand-specific amendments to issued standards that are not related to legislative or standards frameworks.	Audit and Assurance Standards – Nil.	Audit and Assurance Standards – Nil.

To be achieved by ...	Performance measure	Forecast for 2019/20	Actual for 2019/20
	Number of New Zealand-specific standards developed and/or issued.	1-3 Audit and Assurance Standards.	Nil New Zealand specific standards.
	Standards reflect relevant international standards with departures only to improve quality for the New Zealand environment.	100% compliance.	100% compliance.
	For-profit financial reporting 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.
	Standards issued in time for the commencement date to be no later than the international commencement date (where relevant).	100% compliance.	100% compliance.
	Referrals from regulatory agencies and other stakeholders relating to deficiencies in standards are dealt with in a timely manner (within six months).	100% compliance.	Nil referrals.

APPROACH

Undertake User-needs Research

To be achieved by ...	Performance measure	Forecast for 2019/20	Actual for 2019/20
<p>Undertaking organised research into the financial and non-financial information needs of users of our standards:</p> <ul style="list-style-type: none"> ▶ to inform efforts to influence the work of the international standard setting boards; and ▶ to provide thought leadership. 	Number of research projects undertaken to determine needs of users of financial reports.	Commence 1 project – in house.	The XRB conducted two surveys during the year on behalf of the IAASB. The first was a signing partner survey which was issued in May 2020 to other National Standards setters. In addition, we also issued a survey developed by the IAASB on gathering information on audit evidence to our stakeholders and summarised the results for the IAASB.
	Findings of user-needs research indicates appropriateness of auditing & assurance standards to users.	No significant negative conclusions from research findings about appropriateness of standards.	Nil user needs projects undertaken during 2019/20.
	Communication of research findings to international standard setting boards.	As required.	The XRB will provide the IAASB with survey results in September 2020 for the signing partner survey (noted above) and we have provided the results to the IAASB on the audit evidence survey.
	Communication of, and engagement with, local constituents on research findings and emerging issues.	As required.	Nil research conducted during 2019/20.
	Collaboration with others on research activities relating to appropriateness of standards and effectiveness of assurance.	As appropriate.	One joint project was completed in 2019/20. A follow-up joint review by the FMA and the XRB of the trends and changes in Key Audit Matters (KAMs) reporting in the three years since the new standards were introduced. The review analyses KAMs reported in 2019 audit reports and was conducted prior to COVID-19.

APPROACH

Influence the International Boards

To be achieved by ...	Performance measure	Forecast for 2019/20	Actual for 2019/20
<p>Seeking to influence the work of the international boards during the early stages of standards development:</p> <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. 	<p>Attendance at meetings and working with international boards to influence international standard setting.</p> <p>Participation as members on relevant international boards, regional groupings, working groups and task forces.</p>	<p>Attend all relevant international board meetings.</p> <p>Ensure representation on relevant international boards, regional groupings, working groups and task forces.</p> <p>Staff secondments to relevant international standard setting bodies.</p>	<p>Attended four of four meetings of the IAASB during the year.</p> <ul style="list-style-type: none"> ▶ Lyn Provost¹⁹ is Chair of the EER taskforce, ISA 220 Quality Control for an Audit of Financial Statements task force, the Professional Skepticism working group and the Fraud working group. ▶ The Director of Audit and Assurance is on the IAASB auditor reporting Post Implementation Review task force and also the ISA 540 Auditing Accounting estimates, including Fair Value Accounting estimates and related disclosures implementation working group. ▶ A senior staff member is currently seconded to IESBA to assist with the Technology Task Force. This staff member also assisted with the IESBA Ecode development during the year.
	<p>Host international visitors from relevant international organisations.</p>	<p>As appropriate.</p>	<ul style="list-style-type: none"> ▶ Sylvie Soulier – IESBA Board Member – January 2020 – IESBA proposals on Non Assurance Services and Fees ▶ Tom Seidenstein – IAASB Chair-March 2020 and Fiona Campbell IAASB Deputy Chair – IAASB Current and future directions

¹⁹ Lyn Provost is an Independent, public member on the International Audit and Assurance Standards Board with support from the XRB

To be achieved by ...	Performance measure	Forecast for 2019/20	Actual for 2019/20
	Submissions to international Boards on relevant issues and consultation documents.	As appropriate.	NZAuSB – 10 submissions. Refer page 39.
	Representation on the IAASB task force on EER and its associated advisory panel.	100% compliance.	100% compliance – Lyn Provost is the Chair of the IAASB task force and one of our technical standards Board members is also a member of the Project Advisory Panel.
	Environmental scans of developments and major disruptions to the international standard setting structure and environment are reported to each XRB Board meeting and to each Technical Standards Board meeting.	100% compliance.	100% compliance.
	XRB responds to developments and disruptions as appropriate.	100% compliance.	The XRB has made several submissions during the year on International developments. Refer to page 39 for further details.

ACCOUNTING STANDARDS AND AMENDING STANDARDS GAZETTED 2019-2020



DATE	NAME	EXPLANATION
4 July 2019	PBE IPSAS 40 PBE Combinations	Establishes requirements for the classification of PBE combinations and the accounting for amalgamations and acquisitions.
4 July 2019	PBE IFRS 17 Insurance Contracts	Establishes principles for the recognition, measurement, presentation, and disclosure of insurance contracts by Tier 1 and Tier 2 public benefit entities.
15 August 2019	Uncertainty over Income Tax Treatments (Amendments to PBE IAS 12)	Amends PBE NZ IAS 12 <i>Income Taxes</i> for Tier 1 and Tier 2 public benefit entities to align the guidance in PBE IAS 12 with the guidance in the recently-effective NZ IFRIC 23 <i>Uncertainty over Income Tax Treatments</i> , used by for profit entities applying NZ IAS 12 <i>Income Taxes</i> .
18 September 2019	2019 Omnibus Amendments to NZ IFRS	Amends NZ IFRS 1, NZ IFRS 7, NZ IFRS 10, NZ IAS 26, NZ IAS 28, NZ IAS 39, and FRS-44.
7 November 2019	Interest Rate Benchmark Reform	Amends NZ IFRS 9 <i>Financial Instruments</i> to support the provision of useful financial information by entities applying hedge accounting during the period of uncertainty arising from the phasing out of interest-rate benchmarks, such as IBORs.
20 February 2020	Withdrawal of PBE FRS 46 (Amendments to PBE FRS 47)	Amends PBE FRS 47 <i>First-time Adoption of PBE Standards by Entities other than those Previously Applying NZ IFRS</i> to take account of the withdrawal of PBE FRS 46 for Tier 1 and Tier 2 public benefit entities.
20 February 2020	PBE Interest Rate Benchmark Reform	Amends PBE IPSAS 41 <i>Financial Instruments</i> for Tier 1 and Tier 2 public benefit entities to support the provision of useful financial information by entities applying hedge accounting during the period of uncertainty arising from the phasing out of interest-rate benchmarks, such as IBORs.
9 April 2020	Classification of Liabilities as Current and Non-current	Amends NZ IAS 1 <i>Presentation of Financial Statements</i> to clarify how to classify liabilities as current or non-current in the statement of financial position.
11 June 2020	COVID-19-Related Rent Concessions	Amends NZ IFRS 16 <i>Leases</i> to permit lessees—as a practical expedient—not to assess whether particular COVID-19-related rent concessions are lease modifications.
25 June 2020	Property, Plant and Equipment—Proceeds before Intended Use	Amends NZ IAS 16 <i>Property, Plant and Equipment</i> to prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use.
25 June 2020	Annual Improvements to NZ IFRS 2018–2020	Amends NZ IFRS 1, NZ IFRS 9 and NZ IAS 41 as a consequence of the Annual Improvements to IFRS Standards 2018–2020.

DATE	NAME	EXPLANATION
25 June 2020	Reference to the Conceptual Framework	Updates NZ IFRS 3 <i>Business Combinations</i> by replacing a reference to an older conceptual framework with a reference to the most recent conceptual framework.
25 June 2020	Onerous Contracts—Cost of Fulfilling a Contract	Amends NZ IAS 37 <i>Provisions, Contingent Liabilities and Contingent Assets</i> to clarify which costs an entity includes in determining the cost of fulfilling a contract, for the purpose of assessing whether the contract is onerous.

ASSURANCE STANDARDS AND AMENDING STANDARDS GAZETTED 2019-2020



12 February 2020	Amendment to Professional and Ethical Standard 1 Part 4B	Revises Part 4B – Independence for Assurance Engagements Other Than Audit and Review Engagements – of PES 1 <i>Code of Ethics for Assurance Practitioners</i> to make the provisions in Part 4B consistent with the revised assurance terms and concepts in ISAE 3000 (Revised).
12 February 2020	Amendment to ISA (NZ) 560 <i>Subsequent Events</i>	Amends ISA (NZ) 560 <i>Subsequent Events</i> to clarify what an auditor can do after the financial statements have been issued, when a fact becomes known to the auditor that, had it been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report.
23 April 2020	ISA (NZ) 315 (Revised) <i>Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment</i>	Supersedes ISA (NZ) 315 <i>Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment</i> which deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements, through understanding the entity and its environment, including the entity's internal controls.
11 June 2020	Conforming Amendments arising from the revised Professional and Ethical Standard 1 (PES 1)	Sets out amendments to the NZAuASB's auditing and assurance standards—including professional and ethical standards, and various guidance documents as a result of issuing Professional and Ethical Standard 1 (PES 1).
25 June 2020	NZ SRE 2410 (Revised) <i>Review of Financial Statements Performed by the Independent Auditor of the Entity</i>	Supersedes NZ SRE 2410 <i>Review of Financial Statements Performed by the Independent Auditor of the Entity</i> .

XRB SUBMISSIONS 2019/2020

SUBMISSION TITLE	DATE
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International submissions

Submission to the International Integrated Reporting Council on the Integrated Reporting <IR> Framework Revision-Focused Engagement	Mar 2020
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Survey of IPSASB Oversight Arrangements	Feb 2020
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Domestic submissions

Submission on Climate-related Financial Disclosures to MBIE-MfE Discussion Document	Dec 2019
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Submission to the Governance and Administration Select Committee on the Auckland Regional Amenities Funding Amendment Bill	Nov 2019
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Submission to the Productivity Commission on Local Government Funding and Financing – Draft Report	Aug 2019
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NZASB SUBMISSIONS 2019/2020

Submissions by NZASB to International Accounting Standards Board (IASB)

IASB ED/2019/6 <i>Disclosure of Accounting Policies</i> (Proposed amendments to IAS 1 and IFRS Practice Statement 2)	Nov 2019
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Submissions by NZASB to International Public Sector Accounting Standards Board (IPSASB)

IPSASB CP <i>Measurement</i>	Sep 2019
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NZAUASB SUBMISSIONS 2019/2020

Submissions made to the International Audit and Assurance Standards Board (IAASB)

NZAUASB Submission – <i>Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code</i>	Jan 2020
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NZAUASB Submission – Audit of Less Complex Entities (LCE)	Oct 2019
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NZAUASB Submission – Quality Management Overview	Jul 2019
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NZAUASB Submission on IAASB ED ISQM 1	Jul 2019
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NZAUASB Submission on IAASB ED ISQM 2	Jul 2019
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NZAUASB Submission on IAASB ED ISA 220	Jul 2019
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Submissions made to the International Ethics Standards Board for Accountants (IESBA)

NZAUASB Submission on IESBA ED – Fees	Jun 2020
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NZAUASB Submission – Non-Assurance Services	Jun 2020
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IESBA Proposed Revision to the International Code Addressing the Objectivity of Engagement Quality Reviewers	Mar 2020
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IESBA ED Proposed Revisions to Part 4B of the Code of Ethics	Jul 2019
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TE TAUAKI NOHO HAEPAPA STATEMENT OF RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2020

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 2020.

For the External Reporting Board



Michele Embling

CHAIR

10 December 2020



Jane Taylor

DEPUTY CHAIR



NGĀ TAUĀKĪ PŪTEA
FINANCIAL
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TE TAUAKI WHIWHINGA, WHAKAPAUNGA WHĀNUI

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

FOR THE YEAR ENDED 30 JUNE 2020

	Notes	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
Revenue				
Revenue from the Crown		4,410	4,410	4,410
Interest received		37	48	67
Total Revenue		4,447	4,458	4,477
Expenses				
Personnel costs		2,568	2,644	2,439
Fees to board members (meeting fees and project fees)	1	681	749	660
General operating costs		224	315	240
Travel		221	384	367
Contributions to IASB & IPSASB		300	300	300
Premises expenses		173	200	197
Depreciation and amortisation	2, 6, 7	143	156	149
Website / IT costs		112	186	188
Miscellaneous costs		2	2	1
Professional fees		151	135	241
Audit fees for financial statements		24	27	25
Total Expenses		4,599	5,098	4,807
(Deficit) and Total Comprehensive Revenue and Expense		(152)	(640)	(330)

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.

TE TAUAKI TŪNGA PŪTEA

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Notes	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
Equity				
Contributed Capital		725	725	725
Accumulated Surpluses		1,302	619	1,454
Total Equity		2,027	1,344	2,179
Current Assets				
Cash at bank		693	216	77
Receivables		6	40	9
GST Receivable		23	0	28
Prepayments		105	50	86
Investments	3	1,253	1,300	2,098
Total Current Assets		2,080	1,606	2,298
Current Liabilities				
Payables	4	117	280	282
Employee entitlements	5	172	180	167
Total Current Liabilities		289	460	449
Working Capital		1,791	1,146	1,849
Non-Current Assets				
Property, plant & equipment	6	194	117	256
Intangible Assets – Work In Progress		24	0	0
Intangible assets	7	38	91	94
Total Non-Current Assets		256	208	350
Non Current Liabilities				
Provisions	8	20	10	20
Total Non Current Liabilities		20	10	20
Total Net Assets		2,027	1,344	2,179

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.

TE TAUAKI NEKENEKE TŪTANGA
STATEMENT OF
MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
Equity as at 1 July	2,179	1,984	2,509
Total Comprehensive Revenue and Expense	(152)	(640)	(330)
Equity as at 30 June	2,027	1,344	2,179

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.

TE TAUAKI KAPEWHITI

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Actual 2020 \$'000	Budget 2020 \$'000	Actual 2019 \$'000
Cash Flows from Operating Activities			
<i>Cash was provided from:</i>			
Revenue from the Crown	4,410	4,410	4,410
Interest received	38	48	74
	4,448	4,458	4,484
<i>Cash was disbursed to:</i>			
Payments to employees	2,562	2,614	2,433
Payments to suppliers	1,767	1,968	1,948
Contributions to international standards boards	300	300	300
	4,629	4,882	4,681
Net Cash Flow from Operating Activities	(181)	(424)	(197)
Cash flows from Investing Activities			
<i>Cash was provided from:</i>			
Sale of fixed assets	1	0	0
Investments	845	300	0
<i>Cash was disbursed to:</i>			
Investment	0	0	73
Purchase of Property, plant & equipment	49	60	91
	49	60	164
Net Cash Flow from Investing Activities	797	240	(164)
Net Increase/Decrease in Cash	616	(184)	(361)
Add Opening Cash Balance	77	400	438
Closing Cash Balance	693	216	77

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 Cash Flows.

TE TAUAKI KAUPAPA-HERE KAUTE

STATEMENT OF ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2020

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 financial reporting standards for entities required to apply or opt to apply External Reporting Board financial reporting 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 2020 and were approved by the XRB Board on 10 December 2020.

BASIS OF PREPARATION

Statement of Compliance

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

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

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

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

Measurement base

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

Functional, presentation currency and rounding

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

Changes in accounting policies

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

Impact of COVID-19

The impact on the XRB of COVID-19 during this financial year is included along with other significant variances in Note 18. There are no negative impacts of the pandemic on XRB activities or financial performance or financial position at 30 June 2020. We see no negative impacts of the pandemic on the XRB activities or financial performance or financial position going forward for a period of twelve months from the date of signing the financial statements.

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.

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.

NGĀ WHAKAMĀRAMA MŌ NGĀ TAUAKI PŪTEA

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. FEES TO BOARD MEMBERS – MEETING FEES AND PROJECT FEES

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

The XRB has changed the presentation of this note in the current financial year to cumulate Board fees and other fees paid to members. In addition, we have reclassified the fees earned by Kimberley Crook (Chair of NZASB) into XRB fees and NZASB Chair fees. In prior years, fees for both Boards has been included in the XRB table. We have also completed this reclassification for John Kensington who is a member of the XRB Board and a member of the NZAuASB Technical Board.

	Meetings Attended 2020	Total 2020 \$
<i>Total meetings held for the year</i>	5	
Michael Bradbury	5/5	20,550
Jacqueline Robertson Cheyne	5/5	14,043
Kimberley Crook (NZASB)	4/5	9,630
Bill Edge – Financial Reporting Council (FRC)	5/5	0
Michele Embling – Chair	5/5	43,865
Julia Fink	5/5	13,700
John Kensington (NZAuASB)	5/5	13,700
Jane Taylor	5/5	18,125
Fergus Welsh	4/5	0
Total Board Fees		133,613

	Meetings Attended 2019	Total 2019 \$
<i>Total meetings held for the year</i>	6	
Michael Bradbury	6/6	17,680
Simon Carey	4/6	11,133
Jacqueline Robertson Cheyne*	1/1	2,720
Kimberley Crook	6/6	12,990
Bill Edge – Financial Reporting Council (FRC)	5/6	0
Michele Embling – Deputy Chair / Chair	6/6	14,950
Julia Fink*	1/1	2,720
John Kensington	5/6	13,600
Graeme Mitchell – Chair	5/6	52,179
Jane Taylor	4/6	9,520
Fergus Welsh	6/6	0
Total Board Fees		137,492

* Julia Fink and Jacqueline Robertson Cheyne were appointed to the Board on 1 May 2019.

Board members are paid a daily rate for preparation and attendance at Board meetings. The daily rate is determined by the Remuneration Authority.

Michael Bradbury also attended an NZAuASB meeting as an observer and also two NZASB meetings as an observer.

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

Fees are payable to Michele Embling for her membership of the Nominations Committee and her role on the Australian FRC.

Kimberley Crook additional fees payable are for participation on the Nominations Committee.

Jane Taylor additional fees payable is for Chairing the Nominations Committee.

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

Additional fees paid to Jacqueline Robertson Cheyne are for additional work in relation to TCFD and the recruitment of the Chief Executive.

TECHNICAL STANDARDS BOARD REMUNERATION

The XRB has two technical standards Boards – the New Zealand Accounting Standards Board (NZASB) and the New Zealand Auditing and Assurance Board (NZAuASB). The remuneration of members of these boards is as follows:

NZASB	Meetings Attended 2020	Total 2020 \$
<i>Total meetings held for the year</i>	9	
Nives Botica-Redmayne	9/9	22,434
Francis Caetano	9/9	24,232
Kimberley Crook – Chair	9/9	158,050
Charles Hett	8/9	18,495
Karl Hickey	9/9	18,146
Denise Hodgkins	8/9	21,064
Lyn Hunt – Deputy Chair	0/9	0
Keith Kendall – Australian Accounting Standards Board (AASB)	3/3	0
Kris Peach – Australian Accounting Standards Board (AASB)	5/6	0
Angela Ryan – Deputy Chair	9/9	0
Richard Smyth	9/9	22,148
Jason Stinchcombe	9/9	23,975
Total Technical Standards Board Fees		308,544

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

NZASB	Meetings Attended 2019	Total 2019 \$
<i>Total meetings held for the year</i>	9	
Todd Beardsworth	3/9	0
Nives Botica-Redmayne	9/9	23,800
Francis Caetano	8/9	22,440
Kimberley Crook – Chair	9/9	184,112
Charles Hett	5/9	12,920
Karl Hickey	9/9	17,816
Denise Hodgkins	3/3	6,800
Lyn Hunt – Deputy Chair	0/9	0
Kris Peach – Australian Accounting Standards Board (AASB)	9/9	0
Angela Ryan – Deputy Chair	9/9	0
Richard Smyth	7/9	18,587
Total Technical Standards Board Fees		286,475

Technical Standards Board members are paid a daily rate for preparation and attendance at Board meetings. The daily rate is determined by the Remuneration Authority.

The AASB representative on the NZASB is not remunerated. Kris Peach retired from the NZASB from 30 April 2020. Keith Kendall was appointed from 1 May 2020.

Angela Ryan and Todd Beardsworth are state servants and as such are not remunerated.

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

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

Lyn Hunt has been granted leave of absence from the NZASB from 1 July 2019 to 30 June 2020.

Kimberley Crook, Charles Hett and Lyn Hunt have retired from the NZASB from 30 June 2020.

NZAuASB	Meetings Attended 2020	Total 2020 \$
<i>Total meetings held for the year</i>	7	
Robert Buchanan – Chair	7/7	93,217
Clyde D’Souza	6/7	17,810
Craig Fisher	7/7	24,550
David Hay	6/7	20,583
John Kensington – Deputy Chair	7/7	19,865
Chong Lim	6/7	0
Ian Marshall	7/7	20,726
Marje Russ	6/7	24,661
Karen Shires	7/7	17,810
Roger Simnett – Australian Audit and Assurance Board (AUASB)	7/7	0
Total Technical Standards Board Fees		239,222

NZAuASB	Meetings Attended 2019	Total 2019 \$
<i>Total meetings held for the year</i>	7	
Robert Buchanan – Chair	7/7	91,138
Clyde D’Souza	7/7	20,400
Craig Fisher	7/7	23,120
John Kensington – Deputy Chair	7/7	19,020
Chong Lim	6/7	0
Ian Marshall	6/7	17,340
Marje Russ	7/7	26,818
Karen Shires	6/7	16,320
Roger Simnett – Australian Audit and Assurance Board (AUASB)	7/7	0
Rowena Sinclair	7/7	21,528
Total Technical Standards Board Fees		235,684

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

Technical Standards Board members are paid a daily rate for preparation and attendance at Board meetings. The daily rate is determined by the Remuneration Authority.

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

Craig Fisher was appointed Chair of the XRAP and additional fees are payable for this work.

David Hay also provided assistance for the review of Service Performance Information.

Ian Marshall provided extra assistance on prospective financial information and the XRB mandate project.

Chong Lim is a state servant and accordingly is not remunerated as a Board member. He has retired from the board as at 30 June 20.

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

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 deficit.

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

▶ Software	40%
▶ Website	25%

	Actual 2020 \$000	Actual 2019 \$000
Depreciation and Amortisation		
Depreciation	82	87
Amortisation	61	62
Total Depreciation and Amortisation	143	149

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 2020 \$000	Actual 2019 \$000
BNZ Term Deposits	1,253	2,098
Total Investments	1,253	2,098

The XRB has three term deposits at 30 June 2020:

\$503,748 maturing August 2020 at 2.00%

\$244,282 maturing September 2020 at 2.70%

\$504,809 maturing September 2020 at 0.95%

The carrying amount of term deposits approximates their fair value. The BNZ has an AA- rating with Standard and Poors.

4. PAYABLES

ACCOUNTING POLICY

Short term payables are recorded at the amount payable.

	Actual 2020 \$000	Actual 2019 \$000
Creditors	63	192
Accruals	54	90
Total Payables	117	282

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

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 deficit as incurred. This was \$69,201 (2019: \$60,106).

	Actual 2020 \$000	Actual 2019 \$000
Holiday Pay Accrual	112	100
Accrued Salaries	60	67
Total Employee Entitlements	172	167

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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 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 deficit.

2019/20

\$'000	Furniture and Fittings	Plant and Equipment	Property Improvements	Computer Equipment	Total
Cost					
Opening Balance	176	23	224	213	636
Additions	9	0	0	11	20
Disposals	3	6	0	2	11
Closing Balance	182	17	224	222	645
Accumulated Depreciation					
Opening Balance	103	18	118	141	380
Depreciation	20	0	16	46	82
Disposals	3	6	0	2	11
Closing Balance	120	12	134	185	451
Carrying Amounts					
At 30 June 2020	62	5	90	37	194
At 30 June 2019	73	5	106	72	256

7. INTANGIBLE ASSETS

ACCOUNTING POLICY

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

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

The XRB has started an upgrade on its website platform in May 2020. The costs to date associated with this project, which will generate future service potential, have been classified as Work in Progress and will be capitalised at the end of the project in the new financial year. The costs incurred at balance date are \$24,000.

	Actual 2020 \$000	Actual 2019 \$000
Cost		
Opening Balance 1 July	285	285
Additions	5	0
Disposals	0	0
Closing Balance 30 June	290	285
Accumulated Amortisation		
Opening Balance 1 July	191	129
Amortisation	61	62
Disposals	0	0
Closing Balance 30 June	252	191
Carrying Amount 30 June	38	94

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 2020 \$000	Actual 2019 \$000
Provision for Make Good	20	20
Total Provisions	20	20

The XRB is required to make good any damage caused to the two office premises that it leases at the end of their respective leases and remove any fittings and fixtures. The Wellington office lease has been renewed to 30 June 2021 and has one further right of renewal for 3 years.

The Auckland lease expires 31 December 2020 and notice of termination has been given to the Landlord.

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 PAID

Remuneration Range	Actual 2020 \$000	Actual 2019 \$000
\$110,000 – \$119,999	3	1
\$130,000 – \$139,999	4	2
\$140,000 – \$149,999	1	2
\$150,000 – \$159,999	2	0
\$160,000 – \$169,999	0	1
\$170,000 – \$179,999	1	1
\$180,000 – \$189,999	0	2
\$190,000 – \$199,999	2	0
\$200,000 – \$209,999	1	1
\$250,000 – \$259,999	0	1

11. RELATED PARTY INFORMATION

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

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

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

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

KEY MANAGEMENT PERSONNEL

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

KEY MANAGEMENT PERSONNEL COMPENSATION

	Actual 2020 \$000	Actual 2019 \$000
XRB Board meeting fees (remuneration to XRB Board members)	125	137
Full time equivalent members	0.3	0.4
Salaries and other short-term employee benefits	903	828
Full time equivalent employees	4.02	4.00
Total Key Management Personnel Compensation	1,028	965

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

No XRB Board members received compensation or other benefits in relation to cessation (2019: nil).

12. SEVERANCE PAYMENTS

No payments or other benefits were made to employees during the year in relation to cessation (2019: nil).

13. INDEMNITY INSURANCE

The XRB has professional indemnity insurance cover during the financial year of \$1,000,000 (2019: \$1,000,000), in respect of the liability or costs of Board members or employees.

14. OPERATING LEASE COMMITMENTS

	Actual 2020 \$000	Actual 2019 \$000
Not later than one year	130	140
Later than one year and not later than five years	0	13
Total Operating Lease Commitments	130	153

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

- ▶ The lease of premises at 59 High Street, Auckland has been signed for one lease period to 31 December 2020. The XRB has given notice on the lease to be terminated at 31 December 2020.
- ▶ The lease of premises at 50 Manners Street, Wellington has been renewed until 30 June 2021. This lease has one further right of renewal to 30 June 2024. The XRB has the option to exit this lease on four months' notice at any time after 30 September 2020.

15. CAPITAL COMMITMENTS

The XRB is currently upgrading the Silverstripe website platform at 30 June 2020. The budgeted amount of the project is \$30,000 and at year end, \$24,000 has been incurred on the project which is included as work in progress (2019: nil).

16. CONTINGENT LIABILITIES

The XRB has no material contingent liabilities (2019: nil).

17. EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date. (2019: nil).

18. EXPLANATION OF SIGNIFICANT VARIANCES AGAINST BUDGET

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

Interest Received

Interest income is lower than budget due to a lower level of funds on deposit (compared to budget) and lower interest rates earned during the year.

Personnel Costs

Personnel costs are under budget for the year. Savings were made in the Accounting team with vacancies for part of the year. Training costs which were budgeted were only partially used. Recruitment costs were over budget, due to the recruitment of the new CEO.

Fees to board members

The budget for meeting fees includes the XRB Board and its two technical standards boards, the NZASB and the NZAuASB. Fees are under budget this year. This is partially due to less than budgeted XRB Board meetings (5 actual meetings compared to 6 budgeted) and several apologies for our technical standards board meetings over the earlier months of the year.

General Operating Costs

Several expenses within general operating costs were under budget;

- ▶ Savings were made by moving our board meetings to virtual meetings as a consequence of COVID-19.
- ▶ General costs and ICT costs were under budget for the year.
- ▶ Offsetting this were higher than budget insurance costs and technical contractor costs.

Professional fees

Professional fees are over budget due to fees relating to our office space renegotiation and higher than budgeted legal fees relating to employment.

Travel

Travel costs are lower than budget. This is mainly due to the impact of COVID-19 with all travel cancelled from February 2020 to 30 June 2020. All board and Technical Standards Board meetings were held virtually. In addition, International Standard Setter Board Meetings we would normally attend have also been made virtual. We have received credits and refunds onto our Air New Zealand travel card for future use.

Website and IT Costs

ICT costs were under budget with no additional operational expenses over and above our monthly service level agreement costs being used. Previous years expenditure included costs relating to our IT infrastructure review.

STATEMENT OF FINANCIAL POSITION

Cash at Bank

In total, our cash balances are higher than budget. We have matured several term deposits and reinvested smaller amounts in the financial year which are represented as Investments. Additionally there has been a reduction in spending in the last few months of the year due to COVID-19.

Receivables

We have higher receivables than budgeted. This is mainly due to credits being held on the Air New Zealand travel card for cancelled flights due to COVID-19. As at the end of June these total \$55,000.

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, ACC levies, webinar and ComplyWith licences. We have \$23,000 of non-cancellable flights that are held with APX for flights that Air New Zealand have allowed us to use in the future.

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 trade creditors and accruals for Audit fees, Technical contractors and Board fees.

Property, plant & equipment

In this financial year we spent \$12,000 on new laptops and a photocopier for the Auckland office. Additionally we spent \$10,000 on furniture and fittings which included the desks for the Auckland office.

Intangibles

We have undertaken a project to upgrade our website to a new platform – this project was commenced in the current financial year but will be completed and capitalised in 2020/21 financial year.

STATEMENT OF CASH FLOWS

The main increase in cash flow was due to the XRB maturing term deposits during the year. In addition, our expenditure was significantly less than budget resulting in additional cash balances.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF THE EXTERNAL REPORTING BOARD'S
FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION
FOR THE YEAR ENDED 30 JUNE 2020

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 42 to 57, that comprise the statement of financial position as at 30 June 2020, 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 9 to 13 and 20 to 39.

In our opinion:

- ▶ the financial statements of the XRB on pages 42 to 57:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2020; 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 9 to 13 and 20 to 39:
 - presents fairly, in all material respects, the XRB's performance for the year ended 30 June 2020, 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 10 December 2020. This is the date at which our opinion is expressed.

The basis for our opinion is explained below, and we draw attention to the impact of Covid-19 on the XRB. 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.

EMPHASIS OF MATTER – IMPACT OF COVID-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the XRB as set out on page 46 and in note 18 to the financial statements and pages 11 to 13, 27 and 37 of the performance information.

BASIS FOR OUR OPINION

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

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

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

RESPONSIBILITIES OF THE BOARD FOR THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

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

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

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

RESPONSIBILITIES OF THE AUDITOR FOR THE AUDIT OF THE FINANCIAL STATEMENTS AND THE PERFORMANCE INFORMATION

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

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

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Estimates, Supplementary Estimates and Addition to Supplementary Estimates of Appropriations 2019/20 and the XRB’s statement of performance expectations.

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 1 to 7, 14 to 18, 40 and 62 to 64, 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: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

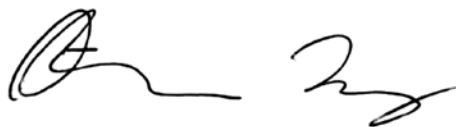
The following relationships exist:

- ▶ An employee of the Auditor-General was a member of the New Zealand Auditing and Assurance Standards Board, one of the XRB's standards setting Boards, until 30 June 2020. Another employee of the Auditor-General became a member on 1 July 2020.
- ▶ The Auditor-General is a member of the External Reporting Advisory Panel of the XRB.
- ▶ An employee of the XRB is the spouse of the Chief Executive of Audit New Zealand.
- ▶ The Chief Executive of the XRB, who retired from the XRB in December 2019, is the current Chairman of the Auditor-General's Audit and Risk Committee.

Our independence as auditor of the XRB has not been impaired, because:

- ▶ None of the above-mentioned matters have any influence over the governance, operations or accountability of the XRB.
- ▶ The Auditor-General's employees and the Auditor-General are not remunerated for their membership.
- ▶ The Auditor-General's Audit and Risk Committee is regulated by a Charter that specifies that the committee does not assume any management functions.

We have no other relationships with, or interests in, the XRB.



S B Lucy

AUDIT NEW ZEALAND

ON BEHALF OF THE AUDITOR-GENERAL

WELLINGTON, NEW ZEALAND

NGĀ MEMA POARI HANGARAU**APPENDIX:****TECHNICAL STANDARDS
BOARD MEMBERS****Members of the New Zealand Accounting Standards Board during 2019-20**

- ▶ 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 expired 30 June 2020). Kimberley Crook retired at this date.
- ▶ Charles Hett, Consulting Actuary, Deloitte New Zealand, Wellington. Charles Hett retired at 30 June 2020.
- ▶ 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 expired 30 June 2020). Lyn Hunt retired at 30 June 2020.
- ▶ Kris Peach, Chair and CEO, Australian Accounting Standards Board, Melbourne retired 1 May 2020.
- ▶ Keith Kendall, Chair and CEO Australian Accounting Standards Board, Melbourne (appointed 3 May 2020 for a 5 year period ending 2 May 2025).
- ▶ Angela Ryan, (Deputy Chair) Principal Accounting Advisor, The Treasury, Wellington. Angela Ryan has been reappointed for a one year period to 30 June 2021.
- ▶ Richard Smyth, Deputy Chief Financial Officer, Skycity Entertainment Limited, Auckland. Richard Smyth has been reappointed for a three year term to 30 June 2023.
- ▶ Denise Hodgkins, National Technical Partner – Assurance and Advisory – Deloitte, Auckland. Denise Hodgkins has been reappointed for a two year term to 30 June 2022.

Members of the New Zealand Auditing and Assurance Standards Board during 2019-20

- ▶ 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. Craig Fisher retired at 30 June 2020.
- ▶ 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. Chong Lim retired at 30 June 2020.
- ▶ Ian Marshall, non-executive Director, Wellington, reappointed for a one year period to 30 June 2021.
- ▶ Marje Russ, Executive Director Tonkin & Taylor Group, Auckland reappointed for a two year term to 30 June 2022.
- ▶ 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 reappointed for a three year term ending 30 June 2023.

FURTHER INFORMATION ABOUT THE MEMBERS OF THE XRB, NZASB AND NZAUASB IS AVAILABLE AT WWW.XRB.GOV.T.NZ.

The External Reporting Advisory Panel (XRAP)

The External Reporting Advisory Panel (XRAP) provides a forum where the three XRB Boards can consult with individuals and representatives of organisations affected by their work. The XRAP is a key part of the XRB's strategy to enhance meaningful engagement with the sector.

- ▶ Craig Fisher, Chair XRAP, Consultant with RSM specialising in Governance, strategy, audit and assurance advice
- ▶ Katie Beith, Senior Investment Strategist Responsible Investment, New Zealand Super Fund
- ▶ Simon Brotherton, EY Auckland
- ▶ Felicity Caird, Governance Leadership Centre of the Institute of Directors
- ▶ Carol Campbell, Company Director, Auckland
- ▶ Peter Gudsell, Chief Financial Officer, University of Auckland (Chair until May 2020)
- ▶ Joe Hanita, GM Finance and Investments, Parininihi ki Waitotara (PKW), New Plymouth
- ▶ Paul Helm, Chief Government Accountant and Head of the Government Finance Profession, The Treasury
- ▶ Julia Hoare, Company Director, Vice President of the IOD Council
- ▶ Garth Ireland, Director, Ireland, Wallace & Associates Limited
- ▶ Rick Jones, Country Head for CPA Australia
- ▶ Jim McElwain, Executive Director, Institute of Financial Professionals NZ
- ▶ Richard Perry, Rocket Lab NZ Ltd
- ▶ John Ryan, Controller and Auditor General
- ▶ Matthew Underwood, Shareholder representing the Shareholders Association
- ▶ Joost van Amelsfort, Head of Market Supervision, NZX
- ▶ Peter van Hout, Services Manager, Methodist Church of New Zealand
- ▶ Tony van Zijl, Professor of Accounting & Financial Management, Victoria University Wellington
- ▶ Peter Vial, Country Head for CA ANZ
- ▶ Mark Vivian, CEO, Stroke Foundation of New Zealand
- ▶ Aaron Wallace, Director, Bellingham Wallace

PAPAKUPU GLOSSARY

AASB	Australian Accounting Standards Board
ASF	Accounting Standards Framework
ASRB	Accounting Standards Review Board
AUASB	Australian Auditing and Assurance Board
CRFD	Climate Related Financial Disclosures
ED	Exposure Draft
EER	Extended External Reporting
FMA	Financial Markets Authority
IAASB	International Audit and Assurance Board
IASB	International Accounting Standards Board
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IPSASB	International Public Sector Accounting Standards Board
KAMS	Key Audit Matters
MBIE	Ministry for Business, Innovation and Employment
MfE	Ministry for the Environment
NZ IFRS RDR	New Zealand International Financial Reporting Standard Reduced Disclosure Regime
NZASB	New Zealand Accounting Standards Board
NZAuASB	New Zealand Audit and Assurance Board
PBE	Public Benefit Entity
SME	Small and Medium Enterprises
TRG	Technical Reference Group
XRAP	External Reporting Advisory Panel
XRB	External Reporting Board



Level 7, 50 Manners St
Wellington
PO Box 11250
Manners St Central
Wellington 6142
New Zealand

WWW.XRB.GOVT.NZ