



XRB, 2014a



EXTERNAL REPORTING BOARD

Te Kāwai Ārahi Pūrongo Mōwaho

Annual Report

For the year ended 30 June 2014

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

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Part 1: Board Overview

Introduction

The External Reporting Board (XRB or Board) is an independent Crown Entity, with continued existence under section 11 of the Financial Reporting Act 2013, and subject to the Crown Entities Act 2004.

This annual report for the year ended 30 June 2014 has been prepared and presented in accordance with sections 150(1) and 154 of the Crown Entities Act 2004. It reports against the Board's Statement of Intent for the year.

The XRB came into existence on 1 July 2011 when it was reconstituted from the Accounting Standards Review Board (ASRB) following amendments to the Financial Reporting Act 1993. This report therefore covers the third year of the XRB's operations.

Board Members

Under the Financial Reporting Act 2013¹, the Board is required to consist of not less than four, nor more than nine, members appointed by the Governor-General on the recommendation of the Minister of Commerce. Members are required to be qualified for appointment by reason of their knowledge of, or experience in, business, accounting, auditing, finance, economics or law. Members are appointed for a renewable term of up to five years.

The Board Members over the past year are listed in the Appendix to this Annual Report.

Functions of the XRB

The Board's functions are prescribed by Section 12 of the Financial Reporting Act 2013² and are as follows:

- Developing and implementing an overall strategy for financial reporting standards (both accounting and auditing & assurance standards), including developing and implementing tiers of financial reporting;
- Preparing and issuing accounting standards, and authoritative notices;
- Preparing and issuing auditing & assurance standards, including the professional and ethical standards that will govern the professional conduct of auditors; and
- Liaising with national and international organisations that exercise functions that correspond with, or are similar to, those conferred on the XRB.

The performance framework developed by the Board to give effect to these functions is outlined in Part 2 of this Annual Report.

¹ The Financial Reporting Act 2013 replaced the Financial Reporting Act 1993 on 1 April 2014. The Board membership requirements are the same in both Acts.

² The functions of the Board under the 2013 Act are not significantly different from those under the 1993 Act.

Organisational Structure

The Board has established two standard setting boards to help it carry-out its functions:

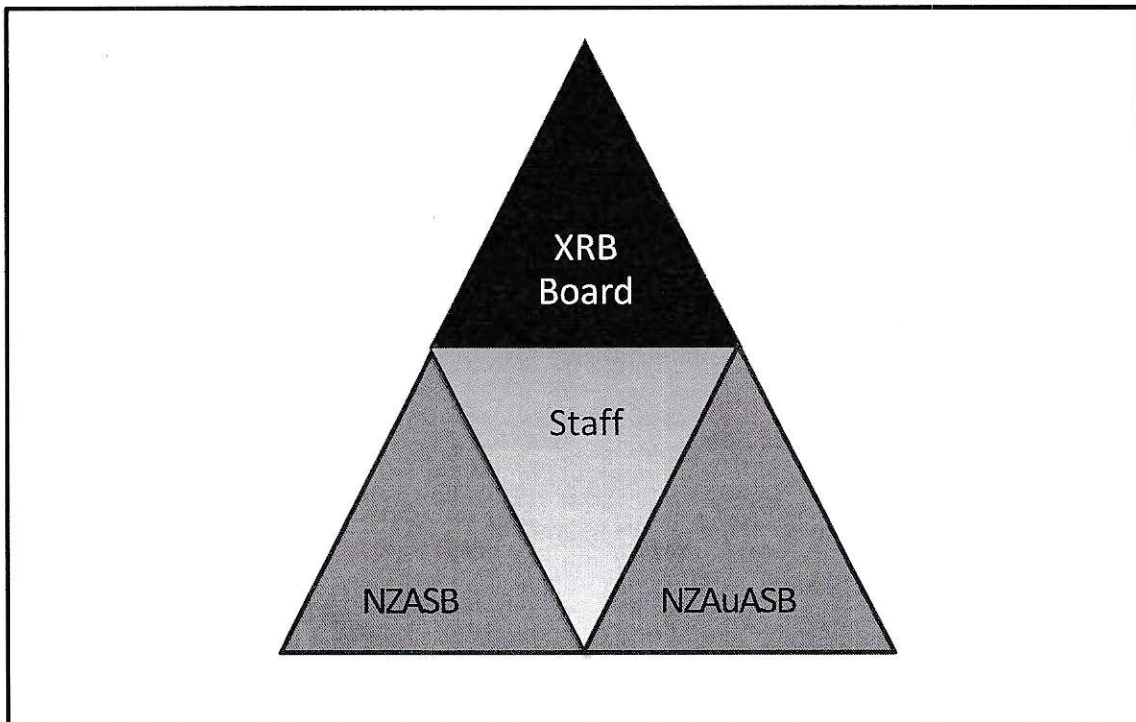
- The New Zealand Accounting Standards Board (NZASB) is responsible for accounting standard setting; and
- The New Zealand Auditing and Assurance Standards Board (NZAuASB) is responsible for auditing & assurance standard setting.

These two standard setting boards are Committees of the Board appointed in accordance with the provisions of Schedule 5 of the Crown Entities Act 2004. They are part-time, remunerated boards, and comprise around ten suitably qualified and experienced persons with a diversity of perspective. They have delegated authority from the Board to develop and issue accounting and auditing & assurance standards respectively. The members of the two standard setting boards over the past year are listed in the Appendix to this Annual Report.

This structure is designed to not only ensure that technical resources are available and that standard setting is carried-out in accordance with best practice, but also to enhance functional equivalence with Australia by ensuring that there is a New Zealand board to match the equivalent Australian board.

The Board and the two standard setting boards are supported by a small staff team as illustrated in Figure 1.

Figure 1: XRB Organisational Structure



Key Achievements

Introduction

The XRB's main strategic focus during the year has been in the following areas:

- Continuing to implement the "New Accounting Standards Framework";
- Continuing to implement the Auditing & Assurance Standards Framework;
- Responding to legislative changes;
- Maintaining the current suites of accounting and auditing & assurance standards;
- Engaging and communicating with stakeholders;
- Establishing the future strategic direction for the organisation; and
- Maintaining organisational capability and ensuring value for money.

The main activities are outlined below.

Continuing to Implement the New Accounting Standards Framework

In April 2012, the Minister of Commerce approved a document entitled "Proposals for the New Zealand Accounting Standards Framework Incorporating the Draft Tier Strategy" (the New Accounting Standards Framework)³. This document had been submitted by the Board to the Minister in accordance with section 34A of the Financial Reporting Act 1993 after an extensive development and consultation process begun by the ASRB in 2009.

The New Accounting Standards Framework establishes a multi-standards, multi-tier approach to financial reporting in New Zealand. Work on developing the accounting standards necessary to give effect to the Framework began during the 2011/12 financial year and has continued at pace since.

The standards relating to for-profit entities were finalised and issued in November 2012. The standards relating to Tier 1 and Tier 2 public sector public benefit entities were finalised and issued in May 2013.

During the 2013/14 financial year the focus has been on the remaining elements of the New Accounting Standards Framework.

The main achievements during the year include:

- *Finalising and issuing the Simple Format Reporting Standards for small public benefit entities.*

The New Accounting Standards Framework provides for public benefit entities (PBEs) in Tier 3 and Tier 4 to report using a simple format reporting approach. During the year four packages of Simple Format Reporting Standards (two for not-for-profit entities and two for public sector entities) were finalised and issued.

³ The approved document is available on the XRB website: www.xrb.govt.nz

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