XRB, 2018d



Te Kāwai Ārahi Pūrongo Mōwaho

"A User-Needs Framework for New Zealand's Wellbeing"

Strategic Plan

For the five-year period

1 July 2018 to 30 June 2023

8 August 2018

Strategic Plan 1 July 2018 to 30 June 2023

"A User-Needs Framework for New Zealand's Wellbeing"

Introduction

This document sets out the External Reporting Board's (XRB) Strategic Plan for the five-year period from 1 July 2018 to 30 June 2023¹. The XRB's strategies aim to contribute to building trust and confidence in the reporting by New Zealand organisations across all sectors.

In the period from 1 July 2018 to 30 June 2023, the XRB plans to further develop the standards frameworks (including accounting and auditing & assurance standards²) to ensure they continue to be fit-for-purpose for the future. The XRB will focus on developing the User-needs Framework to ensure it is *A User-needs Framework for New Zealand's Wellbeing* and that the XRB's standards frameworks (and standards) meet user-needs and continue to:

- · engender confidence in New Zealand external reporting;
- · assist New Zealand entities to compete; and
- · enhance entities' accountability to New Zealand stakeholders,

thereby contributing to sustainable and inclusive economic goals and the wellbeing of New Zealanders.

Key focus areas for A User-needs Framework for New Zealand's Wellbeing

In the period from 1 July 2018 to 30 June 2023, the XRB's focus will be on ensuring its standards frameworks (and standards) meet user-needs and respond promptly to, and are resilient against, local and international external reporting developments and international disruptions in the standard setting structures.

The XRB expects changes and developments in external reporting resulting from the need for entities to report more widely about their strategies, business models, risks and impacts, not just on financial capital, but on other capitals, (as they relate, for example, to environmental, social, governance and other related matters). Entities are expected, within their "corporate" reports, to complement the reporting of their financial results with non-financial information to give a more comprehensive picture of their performance and impact. The XRB plans to take an active role in leading the development of this extended external reporting (EER) in New Zealand as it relates to users of "corporate" reports.

In addition, internationally, standard setting structures for auditing & assurance standard setting (including those for ethics) are under review, which may result in some fundamental changes. International accounting standards boards also face challenges in maintaining global acceptance of their standards. These are in addition to other disruptions like developments in artificial intelligence and the professional accounting market place. The XRB plans to actively monitor and respond to such disruptions and ensure that stakeholders are well-informed. The XRB plans to enhance its regional relationships as a contingency plan.

¹ The underlying foundations of the XRB's strategic plan are set out in detail in the XRB's <u>Strategic Plan 1 July 2014 to 30 June 2019</u> and in subsequent Strategic Plans.

 $^{^{2}% \}left(1\right) =0$ Auditing & assurance standards, including ethics standards.

In 2019-2020, the XRB will conduct a post-implementation review of its standards frameworks. Besides ensuring that the standards frameworks remain fit-for-purpose and meet user needs, the XRB will also review its policy of international convergence. It will consider the most effective way to invest its resources in respect of its international influencing strategies.

The XRB expects to remain effective, efficient, sustainable, resilient and adaptable as an organisation when faced with these reporting developments and disruptions.

This Strategic Plan, A User-needs Framework for New Zealand's Wellbeing, follows the initial period where, on establishment, XRB focused on implementing the standards frameworks (and standards), particularly standards for the Public Benefit Entity (PBE) sector, a phase the XRB refers to as Giving Life to the User-needs Framework.

Since the XRB organisation's establishment in 2011, it has been Giving Life to the User-needs Framework and has:

- Developed and issued the Accounting Standards Framework, Auditing & Assurance Standards Framework and associated pronouncements;
- · Completed and published user-needs research reports on various topics;
- · Developed and implemented strategies for influencing international boards; and
- · Developed and implemented strategies for active and meaningful engagement with the constituency.

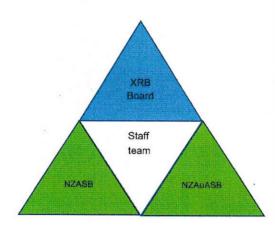
Overview of the XRB

The XRB is an Independent Crown Entity initially established under the Financial Reporting Act 1993, with continued existence under section 11 of the Financial Reporting Act 2013. As a Crown Entity, the XRB is subject to the Crown Entities Act 2004.

XRB's statutory functions under section 12 of the Financial Reporting Act 2013 are to:

- Develop and implement a strategy for accounting standards and auditing & assurance standards, and tiers of financial reporting;
- Prepare and issue accounting standards;
- · Prepare and issue auditing & assurance standards; and
- · Liaise with national and international organisations that correspond with, or are similar to, the XRB.

The XRB's organisational structure



XRB Board responsible for,
General governance of the organisation
Overall financial reporting strategy
Standards strategy
Oversight of the standard setting boards

NZASB – New Zealand Accounting Standards Board:
Committee (sub-Board) of the XRB Board, responsible for accounting standard setting

NZAVASB – New Zealand Auditing & Assurance Standards
Board:
Committee (sub-Board) of the XRB Board, responsible for auditing & assurance standard setting

Staff team:

Provides technical and logistical support to the three Boards

Our Value Adding Model

	Outputs produced for	Primary stakeholders	Users of external reports	Preparers of external	reports/entities (including those charged with governance)	Assurance providers	Regulators	 Policy/law makers 	Other stakeholders	 Tertiary institutions 	 Professional bodies 	 Membership collectives 	(e.g. "umbrella" organisations for	shareholders, not-for-	etc)					
		>	,		4	1	}							***************************************	**********	*************		***************************************		
-	Outputs	 Financial reporting strategy 	Accounting framework	Assurance framework	 Accounting standards 	 Assurance standards 	 Authoritative notices 	 Other international 	pronouncements	 New Zealand guidance 	 Thought leadership 									
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	Aims	 Converged & harmonised 	 Clear & understandable 	 Cost beneficial 	 Appropriate 	 Consistent 	 Implementable 	 Transparent 	Accessible		Proactive	 Responsive and timely 	 Engender confidence and trust 		 Resilient 					
			Marine materials				>					************		NO DESCRIPTION]
	Value Creation	"New Zealandise"	 Comply with legislative framework 	 Consistent with local user needs and requirements 	<u>Due Process</u> ■ Consultation	 Assessing feedback "I istaning" 	Awareness raising	 Webinars/seminars/media Constituency engagement 	Guidance	Influencing and participating	 Strategic relationship building & liaison 		 Submissions Staff projects 	 Board membership 	Research	 User needs 				
					4		_									************				
	Value Enablers	Intellectual Capital	 International accounting standards 	 International assurance standards 	Other international pronouncements	Legislative mandate International extended external	reporting frameworks	Board members - strategic &	Board members - technical	Advisory Panel	 Staff members - technical and logistical support 	Relationship/social Capital	International standard setting boards	Users of external reports	 Other stakeholders 	 Trust in the process 	 New Zealand's cultural identity – changing dynamics of users 	Financial Capital	 Government funding 	XRB infrastructure
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Value enablers	Resources and relationships used in our value creation process.
Value creation	 Processes utilised, together with the value enablers, to deliver outputs to our stakeholders; and Learnings from our processes become feedback into our value enablers.
Aims	Objectives driving the delivery of our outputs.
Outputs	Services created by our value adding model and contributing to our outcome goal.

XRB's Outcome, Impact and Output Performance Framework

Government's overall goal:

To improve the wellbeing and living standards of New Zealanders through sustainable and inclusive growth



Linking outcome:

High quality external reporting for users of general purpose reports



XRB's outcome goal:

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

Engender confidence in New Zealand external reporting

Assist entities to compete

Enhance entities' accountability to



Outcomes

Increases confidence

Improves ability to compete

Improves accountability



What is success? (Impacts on outcomes)

Sound, coherent financial reporting strategy and standards frameworks that ensure:

- Resilience a long-term vision and ability to withstand local and international developments and disruptions
 - Appropriateness for each sector and tier of reporting (size and level of accountability)
- Legislative alignment aligned with the relevant regulatory/ legislative framework

Appropriately converged and harmonised accounting and assurance standards that ensure:

- Adaptability responsive to local and international developments and disruptions
- Comparability comparable information and a "level playing field", both locally and internationally
- Accessibility to funding and capital – easing access to funding and capital by ensuring no imposition of additional unnecessary New Zealandspecific requirements or costs

Accounting and assurance standards that ensure financial/corporate reports and auditors' reports have:

- Transparency transparent, relevant and appropriate information for each sector, size of entity and level of accountability
- Comparability and completeness – comparable and complete information, comparable between entities locally and internationally and do not have information gaps
- Appropriateness allow preparers flexibility to "tell their story" and meet the relevant information and accountability needs of report users



Outputs to influence achievement of outcome goal

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

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

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

Strategic Priorities - 2018-2023

The XRB's outcome goal in the period 2018-2023 will be achieved through several specific strategies, as set out below:

Overarching Strategy - Broad strategic approach

- Maintaining the existing financial reporting strategy including the two-sector, multistandards, multi-tier Accounting Standards Framework
- Continuing, as appropriate, the convergence and harmonisation approach for both accounting and auditing & assurance standards
- Responding to the rapidly changing international environment and external reporting landscape

C	To be a blood to						
Specific Strategy	To be achieved by						
Specific Strategy 1:	Enduring policy of sector-specific standards and Tier Structure.						
Maintain and Enhance Existing Standards	Maintaining a financial reporting strategy and standards frameworks that are:						
es e	 Reliable and require infrequent changes; Consistent with legislative frameworks; and Responsive to legislative changes and stakeholder feedback. Appropriate policy of international convergence/harmonisation. Maintaining existing accounting and auditing & assurance standards (and associated pronouncements) so that: They are of high quality; They remain consistent with international standards, as appropriate; and There is local relevance and acceptance. Enhancing existing accounting and auditing & assurance standards (and associated pronouncements) by: 						
	 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, for example, in relation to pronouncements on EER. Ensuring transparent due process and consultation. Reviewing the existing "standard taker" policy, understanding the ramifications of change and discussing with policy makers. 						
Specific Strategy 2: Undertake User-needs Research	 Undertaking organised research into the financial and non-financial information needs of users of our standards: 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. Undertaking a post-implementation review of the standards frameworks in the period 2019-2020, including the costs and benefits aspects of the standards frameworks. Investigating the hosting of "labs" or "think tanks" to bring fresh thinking for consideration. 						

Specific Strategy 3: Influence the International Boards

Seeking to influence the work of the international boards during appropriate stages of standards development to ensure high quality global standards that are applicable in New Zealand:

- Using "influencing strategies" specific to each international board; and
- By participating, building relationships, and, where appropriate, being represented on international boards.

Monitoring and responding to major disruptions and developments in the international standard setting structures and environment, particularly in the audit market, and ensuring that stakeholders are well informed.

Maintaining and enhancing regional relationships with likeminded countries, as a contingency plan in the event of a return to national standard setting or a move away from principlesbased standards.

Re-considering the most effective investment of resources in respect of our influencing strategies, whether this be at the commencement of the standard setting process, the end of the standard setting process or working more closely with regional groups.

Specific Strategy 4: Enhance Constituency Engagement and Support

Developing standards in a collaborative manner with the constituency by:

- Implementing engagement strategies to enhance the depth and breadth of constituency engagement; and
- Increasing awareness raising activities, including through a communication strategy for social media.

Promoting the awareness, understanding and implementation of EER among New Zealand constituents by:

- adopting a proactive leadership approach to EER, giving consideration to investor versus broader stakeholder requirements;
- considering and implementing a strategy for EER in response to user demands; and
- adopting a collaborative approach with other key stakeholders to EER.

Working with other agencies, including other standard-setters, to ensure external reporting and assurance gaps are identified and addressed.

Providing a thought leadership role involving bold thinking, being proactive and facilitating meetings with key stakeholders to make a difference.

Encouraging, facilitating and supporting other relevant organisations to provide appropriate training and professional development activities relating to external reporting.

Specific Strategy 5: Maintain Capability within a Financially Prudent Organisation

Maintaining a high-performance culture to achieve the XRB's outcome goals in a rapidly changing environment.

Operating in a financially prudent manner.

Maintaining the level of capability needed to deliver the outputs.

Reviewing at least annually the External Reporting Advisory Panel (XRAP) membership to ensure an appropriate representation of all stakeholders.

Strengthening, widening and improving the relationship matrix.

Ensuring prompt commencement of the preparations for the post-implementation review of the standards framework in 2019/2020.

Considering use of a digital specialist or specialised advisory group to provide timely and expert advice on technological challenges to XRB's work.

Strengthening the risk register for wider issues affecting the XRB.

Strategic challenges/risks and mitigating actions

Risk management is an integral part of the XRB's strategic planning process. Management, in consultation with the XRB Board, identifies and assesses the risks that may cause the XRB not to achieve its outcomes, and develops and implements actions to mitigate those risks.

Key risks	
Strategic risks	Operational risks with strategic implications
 International standard setters cease to exist produce standards too narrowly focused for New Zealand purposes or failure of the global standard setting initiative; Standards not acceptable to constituency/ stakeholders and therefore not applied; Standards do not result in high quality userfocussed, multi-sectoral external reporting; and Loss of trust/reputation/credibility of the XRE as a standard setter. 	 highly qualified Board members (loss of governance/technical resources); Inability to attract/retain diverse and highly qualified staff (loss of management/ technical resources); and Insufficient funding to carry out legislative mandate, or support changes in response to international changes.
Mitigating Actions	
Strategic	Operational
 Active involvement in key international processes in the review of standard-setting structures; Involvement at appropriate stages in key projects with international boards; Formation and maintenance of regional alliances; Constituency/stakeholder outreach: Focused on New Zealand-specific issues; Working collaboratively with key stakeholders to fill gaps and voids in external reporting; Relevant standards frameworks; Transparent due process; User-acceptance tested by research and post-implementation review; and Active environmental scanning and 	 Effective ministerial and governing ministry relationships; "No surprises" strategy; Effective brand management; Effective governance processes; Prudential management; Good employer policies; and Maintain a modern infrastructure to ensure maximum efficiency.