

E.30



EXTERNAL REPORTING BOARD

Te Kāwai Ārahi Pūrongo Mōwaho

2020/21

Half-Year Report

to

**The Minister of Commerce
and Consumer Affairs**

© Copyright
External Reporting Board
PO Box 11250
Manners St Central, Wellington 6142
New Zealand
<http://www.xrb.govt.nz>

Permission to reproduce: The copyright owner authorises reproduction of this work, in whole or in part, so long as no charge is made for the supply of copies, and the integrity and attribution of the work as a publication of the External Reporting Board is not interfered with in any way.

Contents

	Page
1. Introduction	3
2. Strategic Focus over the Half-Year	5
3. Output Performance	10
4. Financial Performance	13
Appendix 1 – Interim Statement of Service Performance for the Half-Year Ended 31 December 2020	15
Appendix 2 - Summary of Standards and Exposure Drafts issued and Submissions made	23
Appendix 3 – Condensed Interim Financial Statements for the Half-Year Ended 31 December 2020	26
Appendix 4- Summary of Capital Expenditure for the Half- Year Ended 31 December 2020	31

1. Introduction

1.1 Purpose of the Half-Year Report

This document is the half-year report of the External Reporting Board (XRB) for the 2020/21 financial year prepared for its responsible Minister, the Minister of Commerce and Consumer Affairs.

The report outlines the XRB's performance for the half-year ended 31 December 2020 and reports against the performance specified in the Board's 2020/21 Statement of Performance Expectations¹.

This report also includes a brief update on new work the XRB has been given responsibility for delivering. This follows the Government's announcement in September 2020 to implement a mandatory climate reporting regime.

1.2 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.

The XRB's functions are prescribed by Section 12 of the Financial Reporting Act 2013 and comprise:

- Developing and implementing an overall strategy for financial reporting standards (both financial reporting and auditing & assurance standards), including developing and implementing tiers of financial reporting;
- Preparing and issuing financial reporting standards, including where applicable "non-Generally Accepted Accounting Principles (GAAP) standards" for entities entitled by law to use cash accounting, and authoritative pronouncements;
- Preparing and issuing auditing & assurance standards, including the professional and ethical standards that will govern the professional conduct of assurance providers; and
- Liaising with national and international organisations that exercise functions corresponding with, or are similar to, those conferred on the XRB.

The XRB 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 and Consumer Affairs. Information about the current members of the XRB can be found at www.xrb.govt.nz.

The XRB Board has established two standard setting boards², one that has responsibility for financial reporting standard setting (the New Zealand Accounting Standards Board-NZASB) and the other with responsibility for auditing & assurance standard setting (the New Zealand Auditing and Assurance Standards Board-NZAuASB). This structure is designed to not only ensure that technical resources are available and that standard setting is undertaken in accordance with best practice, but also to enhance functional

¹ The Statement of Performance Expectation is available at www.xrb.govt.nz/about-xrb/accountability-documents/

² In terms of the Crown Entities Act 2004, these are Committees of the Board.

equivalence with Australia. The members of these standard setting boards are part-time, remunerated and are appointed by the XRB Board. There are up to ten suitably qualified and experienced persons with a diversity of perspective. Information about the current members of the standard setting boards can be found at www.xrb.govt.nz.

The XRB Board is responsible for general governance of the organisation, overall financial reporting strategy, standards strategy, and oversight of the standard setting boards.

A staff team (currently 14.1 FTE) based in Wellington, Auckland, Nelson and Christchurch provides technical and logistical support to the three Boards.

2. Strategic Focus over the Half-Year

2.1 Introduction

The XRB Board has developed a Strategic Action Plan which, at a high level is articulated as:

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

The Strategic Action Plan included an Implementation Plan which outlines five specific actions that will be taken in the 2020/2021 financial year. These are:

1. Standards are fit for purpose
2. Standards are evidence-informed as to User needs
3. High quality global standards applicable in New Zealand
4. Standards developed collaboratively with stakeholders
5. Capable, high-performing and financially prudent organisation

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

This strategic action area includes the maintenance of existing suites of standards to reflect any changes to international standards and, where necessary, enhancements to address deficiencies or gaps that are critical to user-needs and the quality of financial reporting in New Zealand.

Existing sets of standards have been fully maintained during the half-year. This involves issuing in New Zealand, exposure drafts and standards issued by the international standard setting bodies, most notably the International Accounting Standards Board (IASB®), the International Public Sector Accounting Standards Board (IPSASB), the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA).

In addition, the XRB has provided comment on relevant exposure drafts/consultation documents issued for comment by these international standard setting boards, other international bodies and by New Zealand agencies in relation to changes in financial reporting and the application of the accounting and assurance frameworks.

With a watching brief over both domestic and international developments, the XRB has monitored the appropriateness of the overall financial reporting framework as it applies to for-profit and public benefit entities (comprising public sector and not-for-profit entities). The XRB has also continued to support policy work of relevant ministries and government agencies relating to financial reporting matters.

Key highlights:

10 new accounting pronouncements issued in the period, including domestic amendments to going concern disclosure requirements for for-profit entities and PBEs.

2 new Auditing standards issued

Continuing, as appropriate, the convergence and harmonisation approach for both accounting and auditing & assurance standards

A key aspect of the XRB's continued standard setting strategy is to ensure that New Zealand standards are "converged" (substantively similar) with international standards. Implicit in this approach is the need for the XRB to use the international standards as the base for New Zealand standards. For those standards to be appropriate in a New Zealand context, a critical component of the XRB's work is to seek to influence international standards in the early stage of their development. This occurs through relationship strategies, staff involvement and appointment of New Zealand members to key international boards.

As such, XRB staff have contributed to projects being undertaken by the IAASB, IPSASB, IESBA and IASB. New Zealand has representatives as members of the IPSASB, IAASB, the IFRS Advisory Council and the IFRS Foundation Trustees. The XRB also have members on the three Australian boards which correspond with the XRB Board, NZASB and the NZAuASB.

Responding to the rapidly changing international environment and external reporting landscape

A key XRB focus includes ensuring the standards frameworks (and standards) meet user-needs and respond promptly to, and are resilient against, local and international external reporting developments and any significant international disruptions in 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 to give a more comprehensive picture of their performance and impact. The XRB continues to play an active role in the development of integrated reporting in New Zealand.

There is also considerable international activity examining trust and confidence in financial reporting and audit quality, the independence of audit firms and competition in the audit market. The XRB will monitor the output of these reviews and work collaboratively with other New Zealand stakeholders to assess what, if any, action should be taken in New Zealand.

The XRB Board receives a detailed environmental analysis at each Board meeting to ensure it is kept abreast of international developments.

Key Highlights: This half year the XRB:

- received additional Crown funding during the half year of \$550,000 for XRB work relating to the development of a strategy, workplan and capability building for the provision of Standards for Climate Related Reporting.
- As part of our COVID- 19 response to assist preparers, auditors and users of financial statements we issued guidance material on the following matters;
 - What can you expect from auditor reports in response to COVID-19
 - What is the impact on going-concern disclosures in response to COVID-19 for both for profit entities and not-for-profit entities
 - Assessing and reporting on your entity's ability to continue operating
 - Auditor communication in the COVID-19 environment
- Seconded a senior staff member to the IESBA technology project from May 2020 to June 2021
- Commenced a Post Implementation Review of the Simple Format Reporting Standards

Standards are fit for purpose

The New Zealand Accounting Standards Board (NZASB) is carrying out a post-implementation review (PIR) of the Simple Format Reporting Standards and issued a Request for Information in September 2020 to seek feedback from constituents on how well the Simple Format Reporting Standards applied by Tier 3 and Tier 4 public benefit entities (which includes registered charities, and other not-for-profits) are working.

The consultations and standards issued during the period are listed in the Interim Statement of Service Performance at Appendix 2.

Standards are Evidence-Informed as to User Needs

A key strategy for the XRB is to enhance understanding of user-needs in New Zealand. A key part of determining user needs is the Post Implementation Review of the Tier 3 and 4 standards. Work has commenced on this project in this half year and consultation will commence in early 2021. Feedback is due from constituents in March 2021. In November 2021, a feedback statement will be released by the NZASB on the outcome of the Request for Information.

High quality Global Standards Applicable in New Zealand

Supporting high quality global standards applicable in New Zealand by actively seeking to influence the work of the international standard setting boards during the appropriate stages of standards development through a variety of influencing strategies. This includes participating in the work of the international standard setting boards through relationships, contribution by staff and, where appropriate, representation on international boards.

Key Highlights:

A total of 5 submissions to IASB and IPSASB on the following standards:

- DP/2020/1 Business Combinations - Disclosure, Goodwill and Impairment (IASB)
- ED/2019/7 General Presentation and Disclosure (IASB)

- ED 70 Revenue with Performance Obligations (IPSASB)
- ED 71 Revenue without Performance Obligations (IPSASB)
- ED 72 Transfer Expenses (IPSASB)

A total of 3 submissions to the IAASB on the following:

- IAASB Auditor Reporting PIR Survey (NSS)
- IAASB Exposure Draft – Proposed ISA 600 (Revised) Special Considerations -Audits of Group Financial Statements (including the Work of Component Auditors)
- IAASB Consultation Paper: Proposed Non -Authoritative Guidance Extended External Reporting (EER) Assurance

A total of 2 submissions by the XRB:

- Final survey response <IR> Framework revision- XRB staff views September 2020
- IFRS Foundation Consultation Paper on Sustainability Reporting in December 2020

Standards developed collaboratively with the constituency

The XRB has a statutory obligation to consult with stakeholders before issuing accounting or auditing & assurance standards. The XRB is fully committed to following appropriate due process and considers this an essential part of the standard setting process.

Important to the work of the XRB are stakeholder engagement, awareness raising activities and sector facilitation.

The XRB aims to develop standards in a collaborative manner by implementing engagement strategies and approaches to enhance the level and quality of stakeholder engagement, including continuing to widen the membership representation of the External Reporting Advisory Panel (XRAP)³ as a platform for stakeholder and market feedback. The XRB is also continuing to increase awareness among stakeholders to ensure our role and purpose is understood.

Maintaining transparency is key to trust and collaboration. Both the XRB Board and its two standard-setting sub-boards continue to hold most of the non-governance part of their meetings in open session. Members of the public are entitled to attend as observers during the open sessions. The agenda papers for the open part of the meetings are available from the XRB website (www.xrb.govt.nz) as are the relevant minutes.

The XRB recognises that several other organisations and government agencies are involved in promoting or regulating financial reporting. The purpose of this part of the strategy is two-fold:

- To actively facilitate other relevant organisations (the professional accounting bodies, major accounting firms and commercial training organisations) to provide appropriate training and professional development activities relating to financial reporting; and

³ The XRAP consists of around 20 senior level persons who are individuals with strong networks that enrich their advice to the XRB, or representatives of organisations, interested in the development of high quality accounting standards and auditing & assurance standards.

- To actively work with other agencies (Ministry of Business, Innovation and Employment (MBIE), Financial Markets Authority (FMA), Reserve Bank of New Zealand (RBNZ), Inland Revenue (IRD) and the Companies Office) to ensure the linkages between the work of relevant agencies in the financial reporting area are identified and the gaps addressed.

This half year the XRB has continued to work with MBIE and Ministry for the Environment (Mfe) on Climate related financial disclosures as part of the Government response to the Productivity Commission report on low-emissions economy. The XRB continues to work closely with the FMA on monitoring audit quality in New Zealand and raising the debate more broadly. XRB participated in the Chartered Accountants Australia and New Zealand (CA ANZ) Audit summit in December.

Key Highlight:

Two consultation documents have been issued in the period, including the launch of the Post-implementation Review of Tier 3 and Tier 4 Simple Format Reporting Standards.

Capable, high performing and financially prudent organisation

Maintaining a high-performance culture to achieve the XRB's outcome goals in a rapidly changing environment, while operating in a financially prudent manner and maintaining the level of capability needed to deliver the outputs required. This strategy recognises the importance of this objective and the key ownership performance drivers in the organisation: fiscal prudence, maintaining capability and continuous improvement.

Fiscal Prudence

From an ownership performance point of view, over the half year, the main operational focus is ensuring that the XRB as an organisation is operating in an efficient and effective "steady-state" mode.

The XRB Board remains conscious of the need to operate within its means and to ensure value for money in all the XRB does. The Board actively promotes a value for money and cost-control culture throughout the organisation and with all its part-time Board members, management and staff. The XRB continued its participation in the All of Government procurement programme.

During the half-year, the XRB Board continued its active reporting and monitoring of expenditure against the budget established in the Statement of Performance Expectations. The financial result for the December 2020 half-year is outlined below in Section 4.

As our lease expired on our premise in Auckland in December 2020, we took the opportunity to move our staff into a smaller more costeffective serviced office arrangement which provides our staff with a more dynamic working environment.

Capability

During the half year, staff participated in Te Ao Māori awareness training.

Continuous Improvement

The XRB has always established and actively seeks to maintain a high-performance culture commensurate with achieving the XRB's outcome goals. This includes promoting and insisting upon continuous performance improvement.

The main activities undertaken, during this half-year in relation to this strategy objective are outlined below:

- The XRB commissioned an Efficiency and Effectiveness Review in late 2020. We will also be undertaking an operating structure review in response to the results of the Efficiency and Effectiveness review in 2021.

3. Output Performance

3.1 Outcome goal

The XRB's organisation outcome goal for the June 2021 year (as documented in the Statement of Intent) is:

XRB's outcome:

The establishment of financial reporting and audit and assurance standards that: engender confidence in New Zealand financial reporting; promote high quality decision making, assist entities to communicate their performance; enhance entities' transparency, accountability and stewardship to stakeholders and support high performing and accountable organisations in both the private and public sectors.

3.2 Reportable Classes of Outputs

The XRB has one reportable class of outputs i.e. only one class of outputs funded by appropriation or levy. The specification and half-year performance of this class of outputs is shown in the table below. A specification and performance of the individual outputs that make up the class of outputs is provided in section 3.3 and Appendix 1.

Output Class: 2020/21 Budget		Half-Year Actual	
Description of Output Class			
Financial reporting and auditing & assurance standards setting for the purposes of promoting the quality of financial reporting		All outputs delivered were within this description.	
What the Class is Intended to Achieve			
The development and issuing of financial reporting and auditing & assurance standards and associated documents that where applicable are converged with international standards and harmonised with Australian standards.		All outputs delivered contributed to this intended achievement.	
How the Performance of the Class will be Assessed			
Performance will be assessed by the extent to which the financial reporting and auditing & assurance standards on issue in New Zealand are converged with international standards and harmonised with Australian standards where applicable.		All standards delivered were converged with international standards and harmonised with Australian standards where applicable.	
Revenue from the Crown (\$000)	2,205	Revenue from the Crown (\$000)	2,755
Revenue from Others (\$000)	15	Revenue from Others (\$000)	5
Cost (\$000)	2,750	Cost (\$000)	2,101

The XRB does not have any reportable class of outputs for which an exemption has been granted under section 149F of the Crown Entities Act 2004.

The XRB did not supply any class of outputs in the half-year that is not a reportable class of outputs.

The XRB has received additional unbudgeted Crown funding during the half year of \$550,000 for XRB work relating to the provision of Standards for Climate Related Reporting.

3.3 Outputs

The XRB specified three outputs for the year in its Statement of Performance Expectations:

- Output 1: Reporting Strategy;
- Output 2: Preparing and Issuing financial reporting Standards; and
- Output 3: Preparing and Issuing Auditing & Assurance Standards and other related services standards

All three outputs were delivered as expected during the half-year. The extent of delivery is shown in the Interim Statement of Service Performance provided in Appendix 1.

The deliverables in Outputs 2 and 3 are, in part, dependent on the work of the international standard setting boards. The output of these boards fluctuates and this is reflected in the XRB's output delivery for the period.

Anticipated Variations

The Board expects to be able to deliver all its outputs, and to meet all the performance measures and standards specified for those outputs, during the entire year. No significant unfavourable variations to the outputs as specified in the Statement of Performance Expectations are expected.

4. Financial Performance

4.1 Financial Performance

The condensed interim financial statements for the half-year are provided in Appendix 3. A summary of the XRB's financial performance for the half-year is as follows:

Financial Measure	2020/21 Actual Six Months (\$000)	2020/21 Budget Six Months (\$000)	2020/21 Budget Annual (\$000)
Revenue	2,760	2,220	4,440
Expenses	2,101	2,750	5,271
Operating Surplus / (Deficit)	659	(530)	(831)
Equity	2,688	1,026	726
Net Cash Flows from Operating	943	(701)	(735)
Net Increase/(Decrease) in Cash	1,425	(202)	(240)

Revenue:

In December 2020, the XRB received additional Crown funding to commence work on Climate related disclosures. Total revenue for the period to December 2020 for this work was \$550,000. This revenue is in addition to our annual appropriation of \$4,410,000.

Expenditure:

Our expenditure is \$649,000 less than budget. The major variances are as follows:

Personnel costs are less than budget as we budgeted for two extra positions: One which has since been subsequently disestablished and the second was a new employee who was unable to enter New Zealand due to COVID 19.

Board members fees are under budget due to a change in approach to the Board Strategy Day resulting in reduced numbers of Board members attending (down from 21 members who are remunerated to 9 remunerated members). In addition, Our Board members were required by the Remuneration Authority to reduce their fees by 10% from 9 July 2020 to 6 January 2021. Similarly, our Chair had a fee reduction of 20% for the same period. Our budget also included an amount of \$63,000 for Board fees relating to the new Climate reporting work which commenced after the half year.

We have reduced our contribution to the International Accounting Standards Board during this financial year from \$200,000 to \$150,000. We have realigned our contribution to a similar level as countries with a similar Gross Domestic Product (GDP) to New Zealand.

We have been able to save \$135,000 in travel costs due to the New Zealand borders being closed due to COVID- 19. This is for travel to International Accounting and Auditing standards Board meetings.

Technical Contractors fees are down by \$66,000 as we had budgeted for a contractor to complete a project for us during the period which has not yet commenced. In addition, we had budgeted to have several contractors commencing work on the Climate related disclosures in this period, however, the work has now commenced in January 2021.

4.2 Capital Expenditure

A summary of capital expenditure for the half-year is provided in Appendix 4.

4.3 Fiscal Risks

The Board is not aware of any fiscal risks to the Crown arising from the activities of the XRB during the half-year, or any risks that could limit the effectiveness of the Board in carrying out its statutory functions.

Appendix 1 – Interim Statement of Service Performance for the Half-Year ended 31 December 2020

Output 1: Financial Reporting Strategy	Actual Six Months to 31/12/2020	2020/21 Annual Forecast Per SPE
Crown Revenue Allocated	265	884
Crown Revenue Allocated- Climate Related Disclosures	550	1,100
Other Revenue	1	12
Costs	468	911
Attributable Overhead costs and other revenue	21	208

Output 2: Preparing and Issuing Accounting Standards	Actual Six Months to 31/12/2020	2020/21 Annual Forecast
Crown Revenue Allocated	1,235	2,116
Other Revenue	3	0
Costs	950	1,850
Attributable Overhead costs and other revenue	97	221

Output 3: Preparing and Issuing Auditing and Assurance Standards	Actual Six Months to 31/12/2020	2020/21 Annual Forecast
Crown Revenue Allocated	705	1,411
Other Revenue	1	0
Costs	510	1,178
Attributable Overhead costs and other revenue	55	147

The table below summarises the XRB Organisational Outcomes performance information of the External Reporting Board (including the two standard-setting boards) for the 2020/2021 financial year.

The performance measures tabled below, in combination, reflect our output class of developing and issuing financial reporting and auditing & assurance standards (and associated documents) that contribute to the wellbeing of New Zealanders and New Zealand entities.

XRB Performance measures

	Performance measure	Forecast for 2020/21	Actual Half Year To 31/12/2020	Forecast to 30/6/2021
Output 1. Reporting Strategy	Review the Strategy for issue of standards within the financial year via consultation by soliciting, analysing and assessing for strategic implications, comments on New Zealand financial reporting and auditing relating to transparency, understandability and meeting user needs. Feedback should be sought from users, regulatory bodies, preparers, auditors, External Reporting Advisory Panel (XRAP). Mechanisms for receiving such feedback include environmental scans, monitoring of media, research and forums.	Strategy reviewed within the financial year. Receive positive feedback on Strategy from stakeholders and other regulators.	Strategy has been refreshed in the half year to December 2020.	Seek positive feedback from stakeholders and other regulators on the Strategy.

Output 2. Preparing and issuing Financial Reporting Standards	XRB submissions on relevant consultation documents- as required and in compliance with specific response dates.	NZASB:10 submissions	NZASB: 5 submissions	NZASB: 12 submissions
	Number of XRB Standards issued	NZASB:10 standards issued	NZASB:10 standards issued	NZASB: 15 standards issued
	Number of XRB Exposure Drafts (ED) issued	NZASB:14 EDs issued	NZASB: 2 ED's issued	NZASB: 3 ED's issued
	Number of New Zealand-specific standards developed and/or issued.	6 NZ specific Accounting Standards	6 NZ specific Accounting Standards	6 NZ specific Accounting Standards
	Standards reflect relevant international standards with departures only to improve quality for the New Zealand environment.	100% compliance.	100% compliance	100% compliance
	For-profit accounting standards harmonised with Australia (where appropriate).	100% compliance.	100% compliance	100% compliance
	Standards development follows statutory due process requirements.	100% compliance.	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	100% compliance
	Number of webinars, roundtables, podcasts, presentations, articles,	Number of webinars, roundtables, podcasts, articles, presentations, blogs,	Accounting: 20	Accounting:34

	blogs, thought leadership seminars/lectures held.	thought leadership seminars/lectures (including the Tony Dale Memorial lecture) organised as required. Accounting:35 Number of attendees: over 1,000.	Number of attendees: 1,557	Number of Attendees: 2,180
	Attendance at meetings and working with international boards to influence international standard setting.	Attend all relevant international board meetings. Ongoing membership of the Australian Accounting Standards Board (AASB), and an AASB member of the NZASB.	Attended all relevant international Board meetings- (virtual meetings) 3 IASB meetings 4 IPSASB meetings 1 National Standard Setter meeting	Attend all relevant international meetings (virtual meetings): 3 IASB meetings 4 IPSASB meetings 1 IPSASB task force meeting 1 National Standard Setter meeting
	Participation as members on relevant international boards, regional groupings, working groups and task forces. Staff secondments to relevant international standard setting bodies.	Ensure representation on relevant international boards, regional groupings, working groups and task forces. Staff secondments to relevant international standard setting bodies where appropriate.	The XRB provides Technical Advisor support to the New Zealand Member on IPSASB. Nil secondments	The XRB provides Technical Advisor support to the New Zealand Member on IPSASB. Nil secondments
	Host international visitors from relevant international organisations.	As appropriate but including Chair of the International Public Sector Accounting Standards Board (IPSASB) Deputy Chair International Accounting Standards Board (IASB)	XRB hosted the Vice Chair of the IASB for a virtual outreach event.	XRB will host the Vice Chair of the IASB for two virtual outreach events. The IPSASB Chair will attend the NZASB Board meeting and the New Zealand IPSASB member will attend

				four meetings of the NZASB.
Output3. Preparing and issuing Auditing & Assurance Standards and other related services standards	<p>Number of international based Professional and Ethical standards developed and/or issued.</p> <p>Number of international based Auditing and Assurance and related services standards developed and/or issued</p> <p>Number of New Zealand-specific standards developed and/or issued.</p>	<p>3 -5 International based Professional and Ethical standards</p> <p>2-5 Auditing and Assurance and related services standards</p> <p>1-3 New Zealand Audit and Assurance Standards</p>	<p>1 -International based Professional and Ethical Standard</p> <p>1-Auditing and Assurance and related services standards</p> <p>0-New Zealand Audit and Assurance Standard</p>	<p>2 -International based Professional and Ethical Standard</p> <p>2-Auditing and Assurance and related services standards</p> <p>1-New Zealand Audit and Assurance Standard</p>
	<p>Number of Exposure drafts Auditing and Assurance and related services standards</p> <p>Number of Exposure drafts Professional and ethical standards</p>	<p>1-3 Exposure drafts Auditing and Assurance and related services standards.</p> <p>Nil</p>	<p>0-Exposure draft Auditing and Assurance and related services standards</p> <p>1-Exposure draft Professional and Ethical Standards</p>	<p>2-Exposure drafts Auditing and Assurance and related services standards</p> <p>5-Exposure drafts Professional and ethical standards</p>
	Number of webinars, roundtables, podcasts, presentations, articles, blogs, thought leadership seminars/lectures held.	<p>Number of webinars, roundtables, podcasts, articles, presentations, blogs, thought leadership seminars/lectures (including the Tony Dale Memorial lecture) organised as required.</p> <p>Auditing: 25</p>	<p>15 as follows:</p> <p>Roundtables 2</p> <p>AUP webinar 1</p> <p>GC webinars 3</p>	We would expect to conduct 25 webinars, roundtables, podcasts, presentations, articles, blogs, thought leadership seminars/lectures.

			University lectures 2 Training FMA 1 Audit conference 4 Research forum 1 Audit summit 1	
		Number of attendees:	Over 500	Over 750
	Attendance at meetings and working with international boards to influence international standard setting.	Attend all relevant IAASB meetings and participate actively in the National Standards Setters meetings.	Attended 5 IAASB meetings and 1 National standards setters meeting. Representation on IAASB and various task forces, as well as the EER advisory panel and Less complex Entity (LCE) project reference group. Actual to Dec: 3	Forecast for the year: Total 12 meetings

				Updated forecast for year: 5-7
	<p>Participation as members on relevant international boards, regional groupings, working groups and task forces.</p> <p>Staff secondments to relevant international standard setting bodies.</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 when appropriate.</p>	<p>Senior project manager seconded to IESBA for technology project since May 2020 to 30 June 2021</p> <p>Director and Senior project manager assisted IAASB EER Taskforce with EER guidance during Dec 2020.</p>	<p>Ongoing</p> <p>All maintained.</p>
	Host international visitors from relevant international organisations.	As appropriate.	No visitors during the half year.	No visitors expected for the year to 30 June 2021.
	Submissions to international Boards on relevant issues and consultation documents.	NZAuASB:1-3 submissions	3 submissions	6 submissions
	Representation on the IAASB task forces and advisory panel.	Maintain our representation on the taskforces for Extended External Reporting (EER), Professional Scepticism, Post implementation review of Auditor reporting and the EER advisory panel.	Maintained representation on taskforces for Extended External Reporting (EER), Professional Scepticism, Post implementation review of Auditor	Maintain representation on taskforces for Extended External Reporting (EER), Professional Scepticism, Post implementation review of Auditor reporting and the EER advisory panel.

			reporting and the EER advisory panel.	
	Environmental scans of and response to developments and major disruptions to the international standard setting structure and environment.	Ongoing regular environmental monitoring reports to the XRB. Respond to developments and disruptions, as appropriate.	Ongoing monitoring	Ongoing monitoring

Appendix 2: Summary of Standards and Exposure Drafts issued and Submissions prepared

XRB submissions:

The XRB has provided two submissions during the half year:

Submissions	Issue date
Final survey response <IR> Framework revision- XRB staff views- IFRS Foundation Consultation Paper on Sustainability Reporting	Sep-20 Dec-20

Accounting standards:

Ten accounting standards have been issued in the half year:

Standards issued (including amending standards, revocations and editorials)	Issue date
<i>IASB based</i>	
<i>Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	Aug-20
<i>Extension of the Temporary Exemption from Applying NZ IFRS 9 (Amendments to NZ IFRS 4)</i>	Aug-20
<i>Amendments to NZ IFRS 17</i>	Aug-20
<i>Interest Rate Benchmark Reform – Phase 2</i>	Sep-20
<i>IPSASB based</i>	
<i>None</i>	
<i>Domestic</i>	
<i>Going Concern Disclosures (Amendments to PBE IPSAS 1)</i>	Aug-20
<i>Going Concern Disclosures (Amendments to FRS-44)</i>	Aug-20
<i>2020 Amendments to PBE FRS 48 - Deferral of effective date to 1 January 2022</i>	Aug-20
<i>Amendments to PBE IFRS 17</i>	Aug-20
<i>PBE Interest Rate Benchmark Reform—Phase 2</i>	Nov-20
<i>Editorial Corrections to NZ IFRS</i>	Dec-20

Five submissions have been made to international boards:

Submissions to international boards	Date submitted
<i>IASB</i>	
DP/2020/1 <i>Business Combinations - Disclosure, Goodwill and Impairment</i>	Dec-20
ED/2019/7 <i>General Presentation and Disclosure</i>	Sep-20
<i>IPSASB</i>	
ED 70 <i>Revenue with Performance Obligations</i>	Oct-20
ED 71 <i>Revenue without Performance Obligations</i>	Oct-20
ED 72 <i>Transfer Expenses</i>	Oct-20

International consultation documents exposed for comment by NZASB	Issue date
<i>IASB</i>	
ED/2020/4 <i>Lease Liability in a Sale and Leaseback- Proposed amendment to IFRS 16</i>	Nov-20
DP/2020/2 <i>Business Combinations under Common Control</i>	Nov-20
RFI: <i>Post-implementation of IFRS 10,11 and 12</i>	Dec-20
<i>IPSASB</i>	
ED 73 <i>COVID 19: Deferral of Effective Dates</i>	Jul-20
ED 74 <i>IPSAS 5, Borrowing Costs-Non-authoritative Guidance</i>	Oct-20

Two domestic exposure drafts have been issued for comment

Domestic consultation documents exposed for comment by NZASB	Issue date
NZASB ED 2020-5 <i>PBE Interest Rate Benchmark Reform—Phase 2</i>	Sep-20
RFI: <i>Review of Simple Format Reporting Standards</i>	Sep-20

Three guidance materials issued

Guidance material issued	Issue date
Lease article - IOD	Jul-20
XRB Alert 2020-3 <i>Spotlight on Going Concern Disclosures - NFPs</i>	Jul-20
Staff FAQ <i>Assessing and reporting on your entity's ability to continue operating</i>	Jul-20

Audit and Assurance submissions to International Boards:

Standards issued (including amending standards, revocations and editorials)	Issue Date
<i>Amendments to Professional and Ethical Standard 1: Part 2, Assurance Practitioners performing professional activities pursuant to their relationship with the firm</i>	Oct-20
<i>XRB Au1 (Legislative Mandate Update) – Effective for assurance engagements or related services beginning on or after 1 October 2020 (early adoption permitted)</i>	Jul-20

Three submissions have been made to international boards:

Submissions to international boards	Date submitted
IAASB auditor Reporting PIR Survey (NSS)	Nov-20
<i>IAASB Exposure Draft -Proposed ISA 600 (Revised), Special Considerations- Audits of Group Financial Statements (including the work of Component Auditors)</i>	Oct -20
<i>IAASB Consultation Paper- Proposed Non-Authoritative Guidance Extended External Reporting (EER) Assurance</i>	Jul-20

Domestic exposure drafts for comment by NZAuSB	Issue date
<i>PES-1 (Part 2) Amendments to Professional and Ethical Standard 1: Part 2, Assurance Practitioners performing professional activities pursuant to their relationship with the firm</i>	July-20

Appendix 3 – Condensed Interim Financial Statements

for the Half-Year ended 31 December 2020

External Reporting Board
Statement of Comprehensive Revenue and Expense
For the Half-Year ended 31 December 2020

	Note	Actual Six months to 31 December 2020 \$000	Budget Six months to 31 December 2020 \$000	Actual Six months to 31 December 2019 \$000
Revenue				
Revenue from the Crown		2,755	2,205	2,205
Interest Income		5	15	24
Other income		0	0	0
Total Revenue		2,760	2,220	2,229
Expenses				
Personnel Costs		1,221	1,447	1,360
Board Members fees		259	442	338
General Operating costs		182	154	140
International Contributions		150	200	200
Travel costs		6	141	206
Premises costs		87	93	89
Depreciation		69	72	75
Website / IT costs		61	69	58
Audit Fees		12	12	14
Technical Contractors		54	120	94
Total Expenses		2,101	2,750	2,574
Net Surplus / (Deficit) for the period		659	(530)	(345)
Other comprehensive Revenue and Expenses		0	0	0
Total Comprehensive Revenue and Expense	3	659	(530)	(345)

The Statement of Accounting Policies and Notes form an integral part of and should be read in conjunction with the Statement of Comprehensive Revenue and Expense.

**External Reporting Board
Statement of Financial Position
As at 31 December 2020**

	Actual as at 31 December 2020 \$'000	Actual as at 31 December 2019 \$'000	Actual as at 30 June 2020 \$'000
Current Assets			
Cash at Bank	2,118	573	693
Receivables	54	16	6
GST receivable	0	0	23
Prepayments	36	42	105
Investments	754	1,240	1,253
Total Current Assets	2,962	1,871	2,080
Non-Current Assets			
Property Plant and Equipment	154	219	194
Intangible Assets	50	78	62
Total Non- Current Assets	204	297	256
Total Assets	3,166	2,168	2,336
Current Liabilities			
Creditors	320	208	117
Holiday pay accrual	139	104	172
Total Current Liabilities	459	312	289
Non- Current Liabilities			
Provisions	19	20	20
Total Non- Current Liabilities	19	20	20
Total Liabilities	478	332	309
Net Assets	2,688	1,836	2,027
Equity			
Capital Contribution from the Crown	725	725	725
Retained Earnings	1,963	1,111	1,302
Total Equity	2,688	1,836	2,027

**External Reporting Board
Statement of Movements in Equity
For the Half-Year ended 31 December 2020**

	Actual as at 31 December 2020 \$000	Actual as at 31 December 2019 \$000
Equity as at 1 July	2,029	2,181
Total Comprehensive Revenue and Expense	659	(345)
Equity as at 31 December	2,688	1,836

The Statement of Accounting Policies and Notes form an integral part of and should be read in conjunction with the Statement of Financial Position and Statement of Movements in Equity

**External Reporting Board
Statement of Cash Flows
For the half year ended 31 December 2020**

	Six months to 31 December 2020 \$000	Six months to 31 December 2019 \$000
Cash Flows from Operating Activities:		
Cash was provided from:		
Revenue from the Crown	2,755	2,205
Interest	9	25
	2,764	2,230
Cash was distributed to:		
Payments to employees	1,254	1,423
Payments to suppliers	417	894
International contributions	150	200
	1,821	2,517
Net cash from Operating Activities	943	(287)
Cash Flows from Investing Activities		
Cash was provided from:		
Proceeds from sales of equipment	0	0
Investments	498	858
	498	858
Cash was distributed to:		
Purchases of property, plant and equipment	16	75
Investments	0	0
	(16)	(75)
Net cash flows from Investing Activities	482	783
Net increase / (decrease) in Cash at Bank	1,425	496
Add Opening Cash at Bank balance	693	77
Closing Cash at Bank balance	2,118	573

The Statement of Accounting Policies and Notes form an integral part of and should be read in conjunction with the Statement of Cash Flows.

**External Reporting Board
Statement of Accounting Policies
For the Half-Year ended 31 December 2020**

(a) Reporting Entity

The External Reporting Board (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.

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 financial reporting 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 XRB financial reporting standards, and auditing & assurance standards for auditors providing assurance required by statute.

The XRB has designated itself a public benefit entity for financial reporting purposes, as its primary objective is to provide services to the public for social benefit.

The condensed interim financial statements for the XRB are for the half year ended 31 December 2020 and are not required to be reviewed or audited.

(b) Basis of Preparation

The condensed interim financial statements have been prepared in accordance with PBE IAS 34 *Interim Financial Reporting*.

The condensed interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the XRB's annual financial statements for the year ended 30 June 2020. The annual financial statements were prepared in accordance with Tier 2 PBE Accounting Standards.

Measurement Base

The financial statements have been prepared on a historical cost basis.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars.

All numbers presented are rounded to the nearest \$000, except when otherwise stated.

(c) Significant Accounting Policies

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the XRB's annual financial statements for the year ended 30 June 2020. The XRB has not early adopted any new standard, interpretation or amendment that has been issued but is not yet effective.

Budget Figures

The budget figures are derived from the Statement of Performance Expectations tabled in Parliament at the beginning of the financial year. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the XRB for the preparation of these financial statements.

**External Reporting Board
Notes to the Condensed Interim Financial Statements
For the Half-Year ended 31 December 2020**

1. Significant Events and Transactions

The Financial Sector (Climate related disclosures and other matters) Amendment Bill was introduced to the House 12 April 2021. This Bill will broaden non- financial reporting by requiring and supporting the making of climate related disclosures by certain FMC reporting entities and supporting related matters. The External Reporting Board (XRB) has commenced a project to develop one or more reporting standards on climate related disclosures. Other than this matter, there are no other significant events and transactions since the last annual reporting date.

2. Events after the end of the interim period

There have been no significant events after the end of the interim period.

3. Explanation of Significant Variances against Budget

Revenue:

In December 2020, the XRB received additional Crown funding to commence work on Climate related disclosures. Total revenue for the period to December 2020 for this work was \$550,000. This revenue is in addition to our annual appropriation of \$4,410,000.

Expenditure:

Personnel Costs

Personnel costs are less than budget as we budgeted for two extra positions during the year. One of the positions budgeted for has subsequently disestablished and the second was a new employee who was unable to enter New Zealand due to COVID 19.

Board Members fees

Board members fees are below budget due to a change in approach with regard to the participants at our annual joint Board Strategy Day which reduced numbers of Board members attending the meeting. In addition, Our Board members were required by the Remuneration Authority to reduce their fees by 10% from 9 July 2020 to 6 January 2021. Similarly, our Chair had a fee reduction of 20% for the same period.

Our budget also included an amount of \$63,000 for Board fees relating to the new Climate reporting work that will continue after the half year. The XRB Board has made the decision not to set up a separate Board for this work in the short term and the project will remain with the XRB Board.

General Operating Costs

General operating costs are over budget by \$28,000. This includes fees payable to consultants who assisted the preparation of our Budget bid for 2021/22 and outyears and to complete an Efficiency and Effectiveness Review of the organisation which was not budgeted.

International Contributions

We have reduced our contribution to the International Accounting Standards Board during this financial year from \$200,000 to \$150,000. This is to align our contribution to countries with a similar GDP to New Zealand.

Travel Costs

We have been able to save \$135,000 in travel costs due to the New Zealand borders being closed due to COVID-19. The main XRB travel expenditure is to attend International Accounting and International Auditing standards Board meetings.

Technical Contractors

Technical Contractors fees are down by \$66,000 as we had planned for a contractor to complete a project for us during the period which has not yet commenced. In addition, we had budgeted to have several contractors commencing work on the Climate related disclosures project in this period, however, the work has commenced in January 2021.

Appendix 4 – Summary of Capital Expenditure for the Half-Year ended 31 December 2020

Capital Item	Six months to 31 December 2020 Actual \$000	Six months to 31 December 2019 Actual \$000
Computer Equipment	6	7
Website	10	5
Office Equipment	0	9
Total	16	21