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Dear Warren

### Limited scope review draft NZ AS 1 *The Audit of Service Performance Information*

Thank you for the opportunity to provide 'fatal flaw' feedback on the limited scope review draft of NZ AS 1 *The Audit of Service Performance Information* ("the draft standard"). Service performance reporting and assurance thereof is becoming increasingly prevalent, and we commend the New Zealand Auditing and Assurance Standards Board (NZAuASB) efforts to develop a domestic auditing standard for such work. We acknowledge that the proposals have undergone significant revision and are now very different to Exposure Draft 2017-2 ("the ED"). We consider that, on the whole, the changes made reflect the views expressed in our submission on the ED as well as those conveyed by other parties. Against this backdrop of support, we have the following comments.

The draft standard has replaced the term "service performance criteria" used in the ED with "methods used to measure, describe, aggregate, present and disclose the entity's service performance" and this is defined in paragraph 7(f). We acknowledge that NZ AS 1 will be applied to audit service performance information prepared by entities in all four tiers of the financial reporting framework. However, in our view this term would benefit from being consistent with paragraph 44 of PBE FRS 48 *Service Performance Reporting* and refer to "select, measure, aggregate and present" instead. Paragraph A8 reinforces that 'presentation' includes whether the service performance information is clearly 'described', and 'disclosures' are prescribed by the applicable financial reporting framework, therefore these aspects are superfluous. We also encourage differentiation of the terms "service performance" and "service performance information" in the definitions section. We note the latter is defined in paragraph A1.

Appendix A includes a number of editorial suggestions. Appendix B provides information about Chartered Accountants Australia and New Zealand. If you have any questions about the matters raised in this submission, or wish to discuss them in further detail, please contact Zowie Pateman, Deputy Reporting and Assurance Leader, at [Zowie.Pateman@charteredaccountantsanz.com](mailto:Zowie.Pateman@charteredaccountantsanz.com).

Yours sincerely



**Simon Grant FCA ACCA**  
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## Appendix A: Editorial suggestions

Draft standard reference	Explanation of suggested change
Paragraph 7	Insert underlined word “ <i>For <u>the</u> purposes of this NZ AS ...</i> ”
Paragraph 17	Introduces a new term; ‘financial statement information’, should this be just ‘financial statements’? If both terms are kept then they could be defined and differentiated.
Paragraph 20	Some of these sub-paragraphs may read better, and increase the emphasis on the relevant situations, if reversed. For example (c) “ <i>When the auditor intends to use the work of another practitioner, communicate clearly ...</i> ” If this change is made then the introductory sentence would also need to be amended so it flows into the new subparagraphs. Also we question why the term ‘practitioner’ is used instead of ‘auditor’.
Paragraph 25	Is under the ‘Communication’ section but does not appear to require any communication. If, as a result of the auditor’s evaluation, communication is required - then this should be clarified. If not, then this paragraph may be better placed under the ‘Materiality in Planning and Performing the Engagement’ section.
Paragraph 25(a)	The reference to ‘significant’ should be ‘based on the auditor’s judgement’. Therefore we suggest the wording is amended to this effect.
Paragraph 29	The wording should be aligned with paragraph 53; ie it should finish “... shall consider the impact of the modified opinion with respect to the service performance information <u>on the opinion on the financial statements</u> ”.
Paragraph 30	In our view this paragraph would be better positioned after paragraph 21.
Paragraph 34	This should be under the ‘Understanding the Entity and Its Environment, Including the Entity’s Internal Control, and Identifying and Assessing Risks of Material Misstatement’ section (paragraphs 21—30).
Paragraph 40	For consistency, we recommend changing the word ‘data’ to ‘information’.
Paragraph 41(a)	Has no full stop.
Paragraph 42	In our view this paragraph would be better positioned under the ‘Planning’ section (paragraphs 17—20).
Paragraph 44(c)	For clarity, the words ‘service performance’ should be inserted before each reference to ‘information’.
Paragraph 45	It refers to “the auditor” twice in the introductory sentence, and then again in each sub-paragraph. This adds complexity so could cause confusion, therefore would benefit from simplification.
Paragraphs 45, A14, A19, A52 and A65	Use of the term ‘conclusion’ may be confusing (ie it relates to limited assurance). Should this be ‘opinion’?
Paragraphs 56 and 57	We suggest the wording is amended as follows: “... presented <del>or disclosed</del> in the service performance information <u>or disclosed in the general purpose financial report ...</u> ”
Paragraph 58	Only refers to comparative information being prospective. Does the auditors responsibilities under ISA (NZ) 710 with respect to corresponding figures (prior period amounts) need to be referenced also?
Paragraph A2	Insert underlined word “ <i>By highlighting matters that are common to both the financial <u>information</u> and service performance information ...</i> ”

Paragraph A5	The size threshold for registered charities assurance requirements is based on the two preceding accounting periods. Therefore we recommend referencing non-large and non-medium charities as defined in section 42D of the Charities Act 2005.
Paragraph A24	The second and third sub-point of the second point are largely similar. Could they be combined? In the fourth sub-point of the second point, delete 'to' as follows: " <i>The auditor may need to evaluate the suitability of these guidelines to the entity's circumstances and to how these align to intended users' needs.</i> "
Paragraph A26	The second sentence refers to the 'preparer' exercising significant judgement. Should this be the 'entity'?
Paragraph A27	The term 'pervasive constraints' is introduced here for the first time. It would benefit from being defined.
Paragraph A28(a)	Ends with a comma (,) should this be a semi-colon (;)?
Paragraph A29(d)	Insert underlined word " <i>How the entity plans to present and disclose financial <u>information</u> and service performance information that is material</i> ".
Paragraph A29(i)	"Web and social media searches" may be better articulated as "Open source searches".
Paragraph A46	Not all applicable financial reporting frameworks discuss the concept of materiality in the context of preparation and presentation of service performance information. For example, Paragraph A42 of PBE SFR-A (NFP) talks about "outputs that are significant". We recommend this paragraph be revisited so that it can be applied to audit service performance information prepared by entities in all four tiers of the financial reporting framework.
Paragraph A53	Should the reference to 'engagement team' be to 'auditor'?
Appendix 1	There is no close bracket after " <i>(subject to audit)</i> " in the diagram. Since the term 'financial statements' is used in the draft standard, it would be good to capture this in the diagram too, as well as 'financial statement information' if this term is also kept. The Statement of Changes in Net Assets/Equity appears to be missing. It could also be mentioned that other names may be used depending on the applicable financial reporting framework. By way of example; Performance Report, Statement of Financial Performance, Statement of Resources and Commitments, Statement of Receipts and Payments.
Appendix 3	In the bottom right hand side of the flow chart there are two duplicate boxes containing "Issue a modified opinion".
Appendix 4	The end of paragraph (b) on page 44 is missing a close bracket after "(Not-for-profit)".
Appendix 5	Sub-header on page 46 – delete struck-through text " <i>[General Purposed Financial Report/Performance Report]</i> " First bullet point on page 47 – the close bracket after "(Not-for-profit" is missing. First bullet point on page 47 – delete struck-through text "To select of service performance and use of methods to ...." Third bullet point on page 47 – refers to "PBE Standards" instead of " <i>[PBE Standards/Public Benefit Entity Simple Format Reporting - Accrual (Not-for-profit)]</i> "

## Appendix B: About Chartered Accountants Australia and New Zealand

Chartered Accountants Australia and New Zealand is a professional body comprised of over 117,000 diverse, talented and financially astute members who utilise their skills every day to make a difference for businesses the world over.

Members are known for their professional integrity, principled judgment, financial discipline and a forward-looking approach to business which contributes to the prosperity of our nations.

We focus on the education and lifelong learning of our members, and engage in advocacy and thought leadership in areas of public interest that impact the economy and domestic and international markets.

We are a member of the International Federation of Accountants, and are connected globally through the 800,000-strong Global Accounting Alliance and Chartered Accountants Worldwide which brings together leading Institutes in Australia, England and Wales, Ireland, New Zealand, Scotland and South Africa to support and promote over 320,000 Chartered Accountants in more than 180 countries.

We also have a strategic alliance with the Association of Chartered Certified Accountants. The alliance represents 788,000 current and next generation accounting professionals across 181 countries and is one of the largest accounting alliances in the world providing the full range of accounting qualifications to students and business.