

# REPORTING AND ASSURANCE OF SERVICE PERFORMANCE INFORMATION

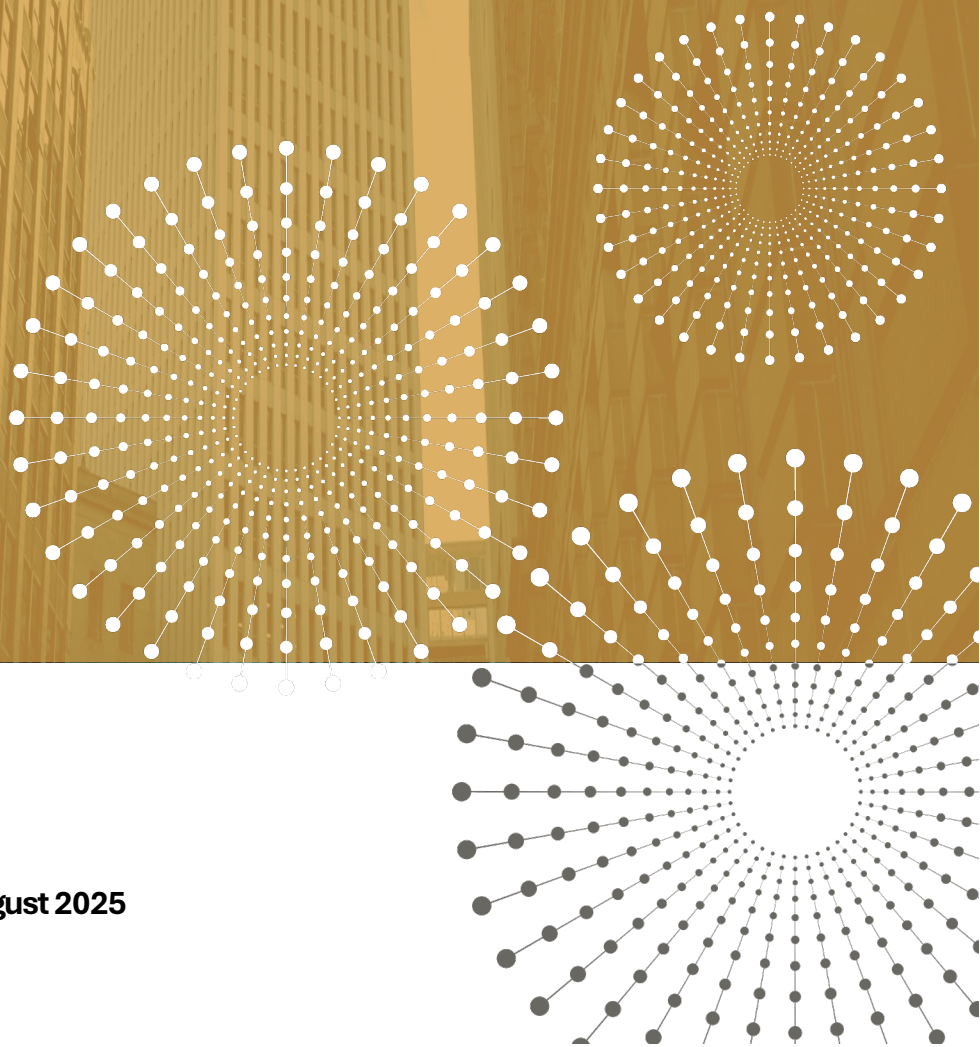
Tier 1 and 2 not-for-profit entities

Consultation paper



June 2025

Consultation closes **Friday 29 August 2025**



## PART 1: ABOUT THIS CONSULTATION

### Why are we consulting?

The External Reporting Board (XRB) has issued this consultation paper to confirm our understanding of challenges that Tier 1 and 2 not-for-profit entities, assurance practitioners and users are experiencing with service performance information and to seek feedback on the potential actions the XRB could take in the short-term to help address these challenges. We held workshops with Tier 1 and 2 not-for-profit reporting entities and assurance practitioners in 2024, which identified challenges being experienced in service performance reporting and assurance.

We are seeking feedback from:

- **Tier 1 and 2 not-for-profit entities** on the challenges in reporting service performance information and having it assured, and whether the potential amendments to the reporting standards, and guidance material, discussed in this paper would help address these challenges. This document is focused on not-for-profit entities; however public sector entities can also submit feedback.<sup>1</sup>
- **Assurance practitioners** on the challenges you are experiencing in assuring service performance information and whether the potential changes to the reporting standards together with the guidance material would help with these challenges.
- **Users of service performance information** on how you use the information contained in entities annual reports and whether the proposals in this document would enhance your understanding.

### How can you provide feedback?

#### Verbal feedback

You can provide feedback during online and in-person feedback sessions. Information about dates and times can be found on our [events](#) page.

#### Written submissions

You can provide written submissions by **Friday 29 August 2025**. Your submission may respond to any or all issues raised, and you can either use the [online submission form](#) or send your views to [accounting@xrb.govt.nz](mailto:accounting@xrb.govt.nz).

*All submissions will be published on the XRB website unless confidentiality is requested. If you object to the release of any information in your submission, please identify the specific parts and the reasons under the Official Information Act 1982. We reserve the right not to publish defamatory submissions. Submissions are subject to the Official Information Act 1982 and the Privacy Act 2020. The XRB will handle personal information in line with these Acts.*

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<sup>1</sup> Parliament's Finance and Expenditure Committee recently initiated an [inquiry into performance reporting and public accountability](#). The XRB intends to contribute to this inquiry and consider implications for our standards.

## PART 2: BACKGROUND

### PBE FRS 48 *Service Performance Reporting*

PBE FRS 48 *Service Performance Reporting*<sup>2</sup> (PBE FRS 48 or the standard) sets out the requirements for the reporting of service performance information to meet the needs of users of general-purpose financial reports of public benefit entities (PBEs).

The standard applies to all Tier 1 and 2 not-for-profit and public sector PBEs required by legislation to provide service performance information in accordance with generally accepted accounting practice. The objective of the standard is to establish principles and requirements to present service performance information that is useful for accountability and decision-making purposes in a general-purpose financial report.

Service performance information is information about what the entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information. The standard adopts a principles-based approach to allow flexibility in reporting.

Entities are required to report an appropriate and meaningful mix of performance measures and descriptions and disclose the judgements and estimates that have the most significant effect on the selection, measurement, aggregation, and presentation of their service performance information.

While legislation had already required certain public sector entities to report service performance information for several years, Tier 1 and 2 not-for-profit entities only had to report this information from 2022. The XRB has also issued [Explanatory Guide A10 Service performance reporting](#) to help preparers implement the Standard.

### Assurance over service performance information

The requirements of who needs to report service performance information, and have this assured, is determined by primary legislation, such as the Charities Act 2005 ([section 42C](#)) and the Incorporated Societies Act 2022 ([section 105](#)).

The XRB issued NZ AS 1 (Revised) *The Audit of Service Performance Information*<sup>3</sup> and NZ SRE 1 *Review of Service Performance Information*<sup>4</sup>, to establish requirements for assurance practitioners performing audit and review engagements over service performance information.

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<sup>2</sup> PBE FRS 48 was issued in November 2017, and effective for reporting periods beginning on or after 1 January 2022.

<sup>3</sup> NZ AS 1 (Revised) was issued in July 2023, and effective for reporting periods beginning on or after 1 January 2025.

<sup>4</sup> NZ SRE 1 was issued in February 2025, and effective for reporting periods beginning on or after 1 January 2026.

## PART 3: CHALLENGES AND POSSIBLE ACTIONS

### Feedback from workshops

In 2024, the XRB held workshops with Tier 1 and 2 not-for-profit preparers, users, and assurance practitioners to gather feedback and perspectives on the implementation of service performance reporting and assurance. These workshops, along with this consultation paper, are part of a phased post-implementation review<sup>5</sup>.

Feedback from the workshops showed strong support for consistent, high-quality service performance reporting. However, concerns were expressed about the difficulties experienced in reporting and assuring service performance information. Our preliminary analysis identified the following possible root causes:

<b>Lack of clarity over reporting</b>	<p>The principle-based approach provides flexibility and requires judgements about what and how to report. For some, this flexibility may contribute to a lack of clarity about the overall purpose and the nature of service performance information.</p> <p>We heard some entities understood this standard to incorporate long-term impact reporting. We highlight that PBE FRS 48 does not require reporting on long-term impacts. The XRB has introduced the <a href="#">draft version of He Tauiira</a>, a voluntary conceptual framework, designed to guide entities in New Zealand to demonstrate their long-term intergenerational impact. This may be a useful resource for those entities who want to voluntarily report long-term impacts.</p>
<b>Differences between the public sector and not-for-profit sectors</b>	<p>There are significant differences between public sector and not-for-profit PBEs. Whilst the principles in the standard are equally applicable to both sectors, not-for-profit entities are often resource constrained and consequently, often struggle to develop fundamental frameworks. Specific guidance material for not-for-profit entities may be helpful.</p>
<b>Maturity in service performance reporting</b>	<p>Service performance reporting is relatively new for large not-for-profit entities. The systems, processes and controls for this reporting are still maturing which leads to challenges in reporting verifiable, meaningful, and cost-efficient information.</p>
<b>Verification challenges</b>	<p>Assurance practitioners can find it difficult to get the evidence they need for service performance information because:</p> <ul style="list-style-type: none"> <li>the processes, systems and controls, and documentation at not-for-profit entities are still maturing; and</li> <li>certain qualitative information may not have enough evidence to allow for independent verification.</li> </ul> <p>Entities also find it hard to understand how much evidence assurance practitioners need and how to improve their systems and processes.</p>

<sup>5</sup> Post-implementation reviews are generally conducted after a standard has been in place for a reasonable period to determine if it is achieving its intended objective and to identify any challenges that may hinder its purpose.





**Question 1 (for reporting entities and assurance practitioners)**

Do you agree that the root causes described above are contributing to the key challenges in preparing and assuring service performance information? Do you have any other feedback on the challenges?

## Possible XRB actions

We recognise that adopting a new reporting standard takes time and resources to understand and implement the requirements well. We are looking to balance the need to allow time for the reporting and assurance standards to be embedded into business-as-usual processes and to respond appropriately to the challenges we have heard. Your feedback is vital to help us decide what actions we could take.

Based on our analysis of the feedback we received in the workshops, we consider the most useful and timely actions the XRB could take to address the challenges involve potential amendments to PBE FRS 48 and guidance material on service performance reporting and NZ AS 1 (Revised).

We propose to prioritise the following streams of work:

- a) **Potential targeted amendments to PBE FRS 48** to improve understanding and application. This would include clarifying additional requirements to the standard and introducing a not-for-profit specific authoritative appendix to support not-for-profit entities. We do not envisage changing the core principles contained within the standard (refer to [Part 4](#)).
- b) **Developing additional guidance** to supplement the existing material to assist entities to report service performance information and build capabilities and systems (refer to [Part 5](#)).
- c) **Developing guidance material to assist assurance practitioners** to address challenges around assurance of service performance information. We are interested in hearing about areas where further material may be needed to support implementation (refer to [Part 6](#)).

Based on your feedback we may change these proposed actions, or develop new actions, to address the challenges in service performance reporting and assurance.

## PART 4: POTENTIAL AMENDMENTS TO PBE FRS 48

### What we heard in workshops

Initial feedback received on the implementation of the standard raised the following practical challenges in implementing the standard:

- **Ambiguity about the reporting required:** Some preparers and assurance practitioners find the standard unclear about the purpose and nature of service performance reporting and how it

connects to other aspects of an entity's performance. There is a level of confusion about what information to include in service performance reporting, especially regarding long-term impacts.

- **Determining who is the user:** Some preparers and assurance practitioners are unsure who the primary users of service performance reporting are. Feedback suggests that clearer supporting material on identifying primary users and understanding their information needs would help entities better comply with the standard.
- **Appropriate and meaningful performance measures:** The standard requires entities to report an "appropriate and meaningful" mix of performance measures but may not be clear on what this means. This has led to uncertainty about how to select these measures and inconsistency in how the standard is applied by entities with similar operations and objectives.
- **Sector-neutral standard:** While the core principles of the reporting for public sector and not-for-profit entities are similar, we understand not-for-profit entities typically have diverse accountability arrangements and reporting frameworks different to that of the public sector. These differences affect how not-for-profit entities approach service performance reporting.

## Potential targeted amendments

We are considering making targeted amendments to PBE FRS 48 to clarify certain areas which currently cause ambiguity and misinterpretation, without changing the core principles of the standard. This could include the following potential targeted amendments.

- Clarifying the purpose and nature of service performance information:** Modifying the objective and scope of the standard to emphasise that the core purpose of this reporting is for accountability and that this does not include long-term impact reporting which entities are not accountable for. This would also clarify how the concept of appropriate and meaningful relates to service performance and highlighting the importance of identifying users and their needs.
- Aligning with the [conceptual framework](#):** Aligning the discussion of qualitative characteristics in the standard with those in the PBE Conceptual Framework to provide a consistent conceptual basis for preparing service performance information. This would help preparers understand that concepts like verifiability, relevance, reliability, and faithful representation apply to service performance information as much as they do to financial information.
- Basis of preparation requirements:** Adding requirements to disclose the basis of preparation for service performance information like accounting policies in financial statements. While disclosures around basis of preparation, significant judgements and specific accounting policies are required across the financial report under PBE IPSAS 1 *Presentation of Financial Reports*, we understand that some preparers have not seen this as applying to service performance information. We would look to ensure appropriate basis of preparation disclosure requirements are explicitly within the



requirements of PBE FRS 48 to reinforce the importance of these disclosures. This would include explaining how user needs were identified, how performance measures were selected and the measurement techniques and approaches used.

- d) **Disclosure considerations:** Clarifying the existing requirements around disclosing significant judgements. The clarifications would help entities identify and explain the material aspects of the processes used to select performance measures, the key assumptions and limitations in their measurement approaches.
- e) **Sector-neutral standard with an authoritative appendix:** Adding an authoritative appendix to the standard could provide application supporting material to clarify the principles of the standard tailored for not-for-profit entities. Some topics the not-for-profit appendix could focus on are outlined below.

***Not-for-profit entities – Potential authoritative appendix to the standard***

- *Steps for developing a performance framework*
- *Linking reported activities within the confines of an annual reporting period*
- *Selecting appropriate measures and considering contractual funding agreements*

It is important to note that any targeted amendments to PBE FRS 48 would go through the XRB's usual due process, which will include a public Exposure Draft period for any potential amendments. Any changes in PBE FRS 48 may also impact Tier 1 and 2 public sector entities, and they would be consulted at that stage.

**Question 2 (for reporting entities and assurance practitioners)**

Do you agree that amending the requirements of PBE FRS 48 at this time would help to address current challenges? Do you anticipate additional costs will be incurred if the requirements are amended?

**Question 3 (for reporting entities and assurance practitioners)**

Do you agree with all the proposed targeted amendments in (a) – (d)? Are there any other areas that may need clarifying and why?

**Question 4 (for reporting entities and assurance practitioners)**

Do you consider that adding an appendix to PBE FRS 48 for the not-for-profit sector in (e) would be beneficial to address some challenges experienced by not-for-profit entities?

**Question 5 (for reporting entities and assurance practitioners)**

Do you agree with the topics for the proposed not-for-profit appendix in (e)? If not, please explain the areas that could be clarified.

## PART 5: POTENTIAL REPORTING GUIDANCE

### Existing guidance

The XRB has provided various implementation support for reporting entities on PBE FRS 48 including:

- [Explanatory Guide A10 Service Performance Reporting](#)
- [Key areas for Tier 1 & 2 entities to consider when applying PBE FRS 48](#)
- [Disclosing how you measure your service performance.](#)
- [Service Performance Reporting Factsheet for Tier 1 & 2 Entities](#)

These guides provide information on applying the standard, and [Explanatory Guide A10](#) covers all aspects of service performance reporting. This includes how to get started, preparation of service performance information, preparing for assurance and final approval, improving and making changes over time, and reporting on shared performance.

### What we heard in workshops

We heard during our workshops that preparing service performance reporting can be difficult in the following areas:

- **Performance frameworks and measures:** Preparers find it difficult to develop performance frameworks and choose the right mix of performance measures. This process requires an understanding of the entity's purpose, and knowledge of performance frameworks and measures.
- **Supporting evidence for reporting:** Preparers often do not have the systems and processes needed to collect and maintain performance data and verifiable evidence to support their reports. Since service performance reporting is new and different from financial reporting, the necessary evidence is not always retained or captured.
- **A focus on quantitative rather than qualitative performance measures:** Many service performance reports focus on quantitative measures rather than qualitative ones. It was suggested that this preference may be because they are easier to verify and therefore to avoid qualified assurance reports. However, qualitative measures may be more appropriate and meaningful in assessing an entity's service performance.

Workshop attendees suggested creating a 'community of practice' for sub-sectors might be helpful.



## Possible further guidance

We are considering hosting sub-sector specific workshops to create useful material to supplement the existing guides. Based on our analysis of not-for-profit entities on the public charities register, the significant sub-sectors are health, education and social services.

At sub-sector workshops, we would focus on exploring examples of performance measures used in practice (including examples of quantitative data and qualitative descriptions), and suggestions for how documentation and records could be kept for each measure.

### Question 6 (for reporting entities)

Do you agree that the XRB hosting workshops for significant sub-sector preparers to develop further supplementary material for service performance reporting would be beneficial? What other material or approaches to guidance would be beneficial?

## PART 6: POTENTIAL ASSURANCE GUIDANCE

### Existing guidance

Implementation support for the recent issue of assurance standards for the audit and review of service performance information, has been provided through:

- A [deep dive webinar](#) on NZ AS 1 (Revised) *The Audit of Service Performance Information*
- A [deep dive webinar](#) on NZ SRE 1 *Review of Service Performance Information*
- A [flowchart](#) on differences between NZ AS 1 and NZ AS 1 (Revised)
- [Frequently asked questions](#) on the transition to the revised standard

### What we heard in workshops

Both assurance practitioners and preparers reported challenges in assuring and having service performance information assured:

- **Verification of the reported information:** Some entities want to report performance measures for which they cannot provide records or documentation that would allow the reported performance to be independently verified. Qualitative information appears to be more challenging for assurance practitioners to verify, compared to quantitative information. Assurance practitioners are seeking guidance material on what is sufficient and appropriate evidence.
- **Application of other assurance standards to service performance information:** Assurance practitioners raised questions as to how to apply other audit and assurance standards to service performance information and qualitative information, in particular, sampling.



- **Internal controls:** Controls over service performance information may be limited, impacting the assurance engagement as internal evidence may not be able to be relied upon by practitioners.

## Possible further guidance

At this stage, we are prioritising developing guidance on what is sufficient appropriate assurance evidence. Further guidance could address areas such as:

- Approaches to gathering sufficient appropriate evidence for different types of information.
- Application of the concept of materiality to service performance information.
- Considerations when assessing internal controls over service performance information.
- Practical approaches to sampling service performance information.

We are interested to know what guidance assurance practitioners need and who best to collaborate with to develop such material.

### Question 7 (for assurance practitioners)

Do you agree that guidance to address the identified challenges will be useful to assurance practitioners? What areas, other than sufficient appropriate evidence, would be beneficial?

### Question 8 (for assurance practitioners)

Do you agree that the targeted amendments to PBE FRS 48 and further service performance reporting guidance material as proposed in previous sections could also help address some of the assurance challenges?

## PART 7: USERS OF SERVICE PERFORMANCE INFORMATION

Users of service performance information include funders, donors, members of the public and service recipients. We seek your input on whether current service performance reporting requirements are meeting user needs. We have heard from certain users, primarily entities that provide funding to not-for-profit entities, that this information is useful in determining whether the funding has been used in the appropriate manner, but the information included in annual reports may not be meeting this need.

We invite further feedback on how the XRB can improve the requirements around service performance information to help users in their decision making and help entities display accountability for the funds and resources they use.

**Question 9 (for users)**

How do you use service performance information to make decisions? Do you face any challenges in understanding service performance information and what may be the cause of these challenges?

**Question 10 (for users)**

Do you consider the proposals around the inclusion of a basis of preparation and further disclosures (as noted in Part 4) would enhance your understanding and use of service performance information? If not, what other actions should the XRB consider further?

