

Kia ora koutou,

We welcome the opportunity to comment on the reporting and assurance of service performance information.

Our submission is informed by peer review research we have personally conducted on the New Zealand setting, including:

- Chen, X. and Scott, T. (2025). The Cost of Auditing Service Performance Information. *International Journal of Auditing*, 29, 454-474.
- Hsiao, P.-C. K., Low, M., and Scott, T. (2024). Institutionalisation of sustainability performance measurement and reporting: Insights from Victoria (Australia) and New Zealand universities. *British Accounting Review* (forthcoming).
- Hsiao, P.-C. K., Low, M., and Scott, T. (2023). Service performance reporting and principles-based authoritative guidance: An analysis of New Zealand higher education institutions. *Meditari Accountancy Research*, 32, 367-395.

It is also informed by the broader literature on service performance and a literature review we conducted for the AASB. We understand that it should be available shortly on their website.

Nga mihi nui,

Dr Pei-Chi Kelly Hsiao and Professor Tom Scott

**Pei-Chi Kelly Hsiao**

Senior Lecturer in Accounting  
Te Whare Wānanga o Waikato | University  
of Waikato

**Tom Scott**

Professor of Accounting  
Waipapa Taumata Rau | University of  
Auckland  
Editor-in-Chief, [Pacific Accounting  
Review](#)  
Associate Editor, [Abacus](#)  
AFAANZ Fellow

**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?**

We agree that the four causes described leads to challenges in preparing and assuring service performance information. We expect measurement difficulty to pose another key challenge, particularly in relation to measurement of outcomes and effectiveness. Though the consultation paper clarifies that reporting on long-term impacts is not required since entities are not accountable for this, information on outcomes and effectiveness remain important to assessment of progress towards mission attainment despite difficulties in identifying and measuring these aspects.

We expect limited expertise and monetary resources to contribute to challenges in reporting and assurance practices, and this is mentioned in ‘Differences between the public sector and not-for-profit sectors’ and ‘Maturity in service performance reporting’. For instance, Chen and Scott (2025) find assurance requirements on the Statement of Service Performance (SSP) prepared by Tier 1 and Tier 2 entities increased audit fees by 24%. As audit fees are notably ‘sticky’, this is a large single-year increase in costs. The study reports only one qualified opinion in the sampled SSPs, suggesting there is no widespread issue of qualified audit reports. The increase in audit fees is significantly larger for Tier 2 entities, suggesting the processes, systems, controls, and documentation at not-for-profit entities appear to be key drivers of the increase in costs. As the increase also applies to assurance by larger audit firms, that likely have experience auditing SSPs in the public sector, there does not appear to be a spillover in improved efficiency from public sector experience. Overall, there seems to be significant costs associated with service performance reporting and this is driven by the readiness of the client.

**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?**

We anticipate targeted amendments to PBE FRS 48 requirements would provide greater clarity around expectations, but these changes may not fully address current challenges if they are contributed by measurement difficulty and resource limitations. Given that the proposed

amendments provide further principle-based guidance, we do not anticipate significant additional costs, particularly relative to amendments that would require changes to data collection and reporting practices.

In considering potential amendments, we believe it is important to note that introduction of PBE FRS 48 has significantly changed service performance reporting practices, and any subsequent amendments would likely result in some changes to reporting practices. Using a sample of New Zealand higher education institutions, Hsiao et al. (2023) find PBE FRS 48 encouraged entities to provide more contextual information about why the entity exists and improved articulation of the link between service outputs and intended outcomes. Thus, for well-resourced entities, PBE FRS 48 has presumably desired effects on reporting. We view any amendments that simplify disclosure requirements, enhance comparability between organisations in subsectors, and aid in report preparation as desirable for resource constrained organisations, while still allowing and encouraging them to tell their story, potentially through narrative disclosures.

**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?**

See response to Question 2.

**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?**

More guidance to assist with the implementation process is expected to be useful. Though potentially sector-specific guidance would be more useful when determining ‘appropriate and meaningful performance measures’ and ensuring greater comparability across organisations operating in the same sector.

**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.**

Yes.

**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?**

We view that sub-sector guidance developed in collaboration with entities operating within the sub-sector would be valuable, as these entities have a practical understanding of the operations and challenges involved in running such organisations. Guidance providing suggested performance measures is expected to reduce compliance costs. It would be useful if the guidance includes suggestions of possible outcome and effectiveness measures, supporting report preparers in forming the most suitable set of performance indicators for their organisation and then telling their story beyond these measures in narrative disclosure. Further, comparability between organisations promote accountability and having suggested performance measures could lead to enhanced information usability.

**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?**

Chen and Scott (2025) find the use of NZ AS 1 appears to reduce the increase in audit fee for smaller charities (Tier 2). Thus, efforts along the lines of NZ AS 1 to clarify expectations and materiality would presumably further reduce the assurance burden. Research from the non-financial space on environmental reporting also suggests that double materiality can be particularly challenging.

**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?**

See response to Question 7.

**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?**

We view that the service performance information disclosed by entities is straightforward and easy to understand. Comparability across organisations can be challenging due to the heterogenous nature of not-for-profits. There are also limited information useful for performance evaluation and understanding progress towards mission attainment.

**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?**

Users may not read or show much interest in information related to basis of preparation and further disclosures on the report preparation process. Individual donors and beneficiaries often have limited interest in formal disclosure, where donors prefer narrative reporting that adopts a story-telling approach, whereas beneficiaries tend to only want information that affects them personally. Evidence on whether donor behaviour is influenced by service performance information is mixed. Considering these perspectives and the cost of providing service performance information, we view mandating basis for preparation should be carefully considered.