# KEA NEW ZEALAND LIMITED

*Registered Office: 2B Rakaunui Street*

*RD3, Raglan 3297*

*Phone: +64 21 899 848*

**To: Wendy Venter FCA**

**XRB**

**Submission on: Reporting and Assurance of Service Performance Information**

**From: Craig Fisher FCA**

**Date: 27 August 2025**

**Background/Introduction**

Thank you for the opportunity to submit on this consultation and well done on the process adopted to get to this point and to being open to feedback and modifications to help make this a more useful part of the For-Performance reporting framework.

For completeness and to help contextualize my perspective into this topic, my background is a Chartered Accountant of some 30 years', largely in public practice, experience. The bulk of my professional career was in auditing and as an audit partner operating across all three sectors in NZ. I have been a statutory auditor, a licensed auditor, and an Approved Auditor of the Auditor General. I have a long involvement in standard setting being a member of and chair of the Institute of Chartered Accountant's Professional Practices Board, which subsequently became the Professional Standards Board, for 9 years, and then a member of the XRB's NZAuASB from inception for 7 years. I currently chair XRAP. For clarity, I was involved in the four workshops with key participants run by the XRB in late 2024 and subsequent discussions with the XRB team.

I have also been an author and an educator of accountants and governing bodies mainly in relation to audit, assurance, and ethical matters, but also governance and best practice reporting. I have been, and continue to be, a governing body member of a range of For-Purpose organisations.

I have been involved in the area of Service Performance reporting since its inception in NZ. My involvement has been from the various perspectives of a standard setter, auditor, educator, preparer and governing body member, and philanthropic funder.

## General Comments

1. **Supportive of the concept** - I fully admit that I am a 'fan boy' of Service Performance reporting as see huge value in it when done well. I have first-hand experience of the positive and transformational change in focus it can help engender in For Purpose organisations from a governance and management perspective. I have also seen the benefits in communicating with stakeholders and for greater clarity in funding decisions of charities. In short, For Purpose organisations, as it says on the tin, exist for purpose. Yet for too long we have tried to just force them to report on financial measures. This leads to unintended consequences and sometimes perverse incentives, outcomes, and inappropriate focus. The introduction of Service Performance reporting is in my view an important, innovative, and positive step towards helping For-Purpose organisations both focus and then report on what actually matters. i.e. why they exist and what that have done towards delivering on their purpose.

   Hence, I am strongly supportive of the concept of service performance reporting for PBE's as this helps both organisations and those they serve to better focus on their purpose and their delivery on that. i.e. what really matters.

2. **Separating change noise & introduction challenges from value of the underlying concept** – This is a relatively new requirement for many organisations. It is also being applied in a sector where some entities are resource poor in terms on internal financial reporting capacity. Albeit I observe that not all are resource poor (However most still carry that mindset) and it is interesting how smaller charities, on the whole, have coped much better with this change than the larger charities to whom it has mandatorily applied to more recently. Additionally, the sector as a whole has been grappling with many other challenges such as funding, Govt policy changes, increased need for charitable services etc. As a mandatory requirement in this broader context of environment challenges, I suggest SSP reporting may have received an outsized adverse change reaction as a result. There is always a 'reaction' to change. Especially when the initial feeling may be that this is just increased compliance impost without full appreciation of the positive opportunities it presents, and underlying rationale. It is natural for there to be some negative reaction to change initially. I am not in any way convinced that this indicates the underlying policy and intent of service performance reporting is wrong.

3. **Maturity and evolution** - this is a journey or evolution of reporting for many who may have not previously used this lens to measure, assess, and report on their organisations. As such the appropriate information gathering and reporting systems

are immature. Accounting systems are generally mature thanks to many decades of standards and systems in this area. Qualified accountants and auditors schooled their entire careers in generally accepted standards for their work have helped with this financial reporting maturity. The skills, experience and systems for service performance measurement and reporting is understandably much more immature. Understanding of, and prevalence and maturing of suitable systems for service performance information will take time.

4. **Service performance reporting is not impact reporting** - Definitions of such terms opens up arguments and debates. This can be an academic distraction. However, a requirement for service performance reporting is in my view a 'gateway' measure for moving an organisation towards impact reporting. This is a good thing. We should not get hung up on terms. We should celebrate the positive direction of travel. This is about positive communication via SSP reporting for better decision making and engendering ongoing stakeholder support.

5. **This is fundamentally a governance issue** - My observation across many entities is that there has been a failure of governance in many For-Purpose organisations in that governors have not been appropriately focused on measuring and reporting performance in their particular context. This is an uncomfortable truth for governors and often not addressed, or is deflected due to them being 'involved with a charitable organisation'. Many governors have not done the hard work of determining what are the appropriate measures of performance, implementing appropriate systems and measuring these. From a good governance perspective, reporting on service performance cuts to the heart of the governance role. Yet in the past many governance bodies have been much more focused on reporting on financial implications of their activity. This is understandable as that has been for many the only mandatory requirement. It is incumbent that any governing body is clear on what the entity is seeking to do and how they are seeking to achieve it. Then as a logical flow-on; governing body members should be concerned with answering the question; how do they know if they are achieving their aims? I believe there needs to be more focus on this from governing bodies. This may require more and continued education. The XRB may wish to consider who are the other members of the governance education supply chain to assist in this area eg IOD, CAANZ, CPA etc

6. **The wrong people have been given responsibility** – Closely related to the failure of governance issue above is the fact that in most cases the responsibility for service measurement and reporting has been delegated to the accountant. Often by default. Good service measurement and reporting requires understanding from the top (governing body), then coordinated involvement of many parts of an organisation such as front line operations, communication, accounting etc.

7. **Link to broader organisational sustainability** – Service performance measurement and reporting helps force an organisation to think more holistically about its impact (which is why I believe this is first and foremost a governance issue). This has direct

links to organisational sustainability. I would suggest that most organisations sadly are still only looking at this as compliance and hence missing the considerable benefits for organisational sustainability.

8. **Sometimes its hard** - service performance reporting may be considered more difficult for some types of organisations due to the nature of the issues they are seeking to address and factors such as measurement ability, attribution etc. However just because something is difficult does not mean it should not be done. If an entity exists to address an issue, then it is incumbent on the entity's governance and management teams to be able to assess whether it is being effective in the application of the entity's resources towards that aim. Arguably the harder it is, the more effort governance and the broader entity should be putting into determining appropriate measures. Service Performance reporting is a practical way to be able to help assess, focus, and report such activity. The principle/approach in the standard of allowing flexibility for reporting entities in how they report is, in my view, totally appropriate to accommodate the many different structures and strategies that different charities have in addressing the issue. Hence, I remain strongly supportive of the principles-based standards approach to reporting due to the diversity of charitable entities, their charitable purposes and intent, as well as diversity of theories of change employed by different organisations in delivering on their purpose.

9. **Some terms in the standard are tricky** - I appreciate that "appropriate and meaningful" measures to be reporting on are subjective and will be a matter of opinion. However as long as that opinion is justified by adequate disclosure, then this should assist readers of the performance report. Further guidance as suggested in this area may be of assistance.

10. **Auditor power imbalance** - Auditors hold a significant, and potentially disproportionate, amount of influence over the reporting of service performance information. They hold the ability to help improve, or to kill this positive reporting initiative and consign it to being seen as just a frustrating mandatory compliance exercise. If it is the latter, entities will eventually respond with the bare minimum 'allowable' reporting just to achieve a 'pass mark' at the least cost impost. This completely undermines the point of the reporting.
    This is due to a number of factors:
    a. Financial auditors are used to assuring financial information based on long standing financial standards which are generally very specific as to application rules. The information being assured is also generally an output of long standing and stable financial reporting systems. i.e. they are used to reliable known systems producing financial information that can be counted.
    b. Auditors are heavily regulated and audited. They also in NZ carry a disproportionate amount of liability for their role compared to preparers. As such they are generally thorough in their application of standards and risk adverse. Their strictness in this regard puts them into situations of direct conflict with their charitable clients.

c. There is a significant power imbalance in the charitable sector between auditors and their charitable clients. The charities are often less well resourced than the auditors in terms of financial reporting ability and in being up to date with reporting changes. Added to this audit is seen as extremely important by charities as they fear adverse reaction from funders should their auditors be critical of them. Therefore, many charities totally defer to their auditors as to what they should do. They rely on auditors as the test of what they have to do and what is allowable.
d. This is a new area for auditors. Same (standards) book as the client yet 'they need to be one page ahead'. Learning a new area takes time. Albeit this is really just auditing 101; proving the reasonableness of information being reported by assessing systems and controls in place etc.
e. Focus on assuring things easy to count. As this is a new area and appreciating that some auditors are still in early stages of learning, there has arguably been a focus from some auditors directing their charitable clients towards reporting items easy to be counted and verified. If this is done for self-interest then this is clearly inappropriate. It also will not assist the development of more innovative and valuable service performance reporting.
f. The audit business model is under significant cost and capacity pressure in NZ at present. It is arguable that many auditors have not been charging their charitable clients sufficiently for their work for many years. This results in charitable clients becoming used to these cost levels. The implication is any cost changes then being seen as significant. It is suspected that some auditors may have used this new reporting requirement as a means of revising/rebalancing their overall audit costs/fees. It is also arguable that some auditors may have sought to recover the training costs for their team of this new area of assurance in their fees. This has resulted in adverse reactions towards auditors and the cost of Service Performance reporting and assurance and a disproportionate focus on this compared to the positives. Easy to understand in an environment with resource stressed entities on both sides of the equation.
g. There is an underlying negative perception to auditors by many entities, either consciously or subconsciously. They are seen by many as a frustrating, expensive (whether they are or not), and overly critical compliance impost on an entity. i.e. a grudge purchase. The new requirement for the audit of service performance information and it being carried out in a thorough way in an immature environment has reinforced that perception for many. As a result, the audit – client relationship is in many cases combative rather than collaborative.

**Legislation modification/exemption consideration:**
I appreciate this is outside of the XRB's mandate but raise this issue for consideration. I have now talked to a number of philanthropic entities i.e. entities that exist solely to

fund other charitable entities to support them achieving their charitable purposes, that are themselves charities and hence subject to charitable reporting legislation.

As regards these entities, I am concerned that the cost/benefit principle of them reporting service performance is not being met. i.e. the cost is outweighing any significant benefit. This is because the end charitable providers they fund are already reporting their service performance. The funders also struggle with attribution re the purposes/outcomes they are funding given nexus and proximity, as well as exclusivity as they may be one of many funders. The preparation burden on them, especially those philanthropic funders that run extremely lean admin teams, as well as audit cost for them, especially if they are funding significant amounts and significant numbers of charities, can be significant. Yet from a policy perspective, while these entities are charitable, they are not seeking any public funds and hence it is arguable that the need for them to report service performance is greatly diminished.

Hence, as much as I am personally usually allergic to exemptions, I would be supportive of consideration being given to an exemption or carve out of SSP reporting and assurance for pure philanthropic funding organisations.

## Specific XRB Questions Responses

In addition to the above observations, I make the following observations in relation to your specific questions.

**For reporting entities and assurance practitioners**

1. **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?**

Root cause analysis is well articulated.

It is important to remember how relatively early we are in the maturity and lifecycle of this new reporting innovation.

As noted above, in my opinion, all roads lead to governance failure. The governing body are the kaitiaki of an organisation's purpose. As such they should be clear on their theory of change and then measures to assure themselves that they are succeeding. In my experience, organisations that are clear on this have no problem with SSP reporting.

In many cases the benefits, importance, and ownership of service performance measurement and reporting is not yet held by governing bodies.

2. **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?**

Yes I believe clarifications may be helpful. I don't see any significant cost impost from this.

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

Agree with all.

4. **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?**

Agree conceptually, albeit the devil is in the detail I suspect. Needs to be clear and easily accessible if it is to be read and useful.

5. **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.**

- **Steps for developing a performance framework**: This requires governance education. I suggest possibly harder in the non Public Sector entities as Public Sector has had legislative requirements etc via requirements for long term planning processes etc.

- **Linking reported activities within the confines of an annual reporting period**: I note there is a worldwide trend to more holistic reporting with innovation in taking a more holistic view of entity sustainability and impact. Accordingly there would need to be guidance on how an annual reporting period activity ties into the longer term story. Again; this is fundamentally a governance issue as the governing body set the strategy as well as are the kaitiaki of purpose.

- **Selecting appropriate measures and considering contractual funding agreements**: I'm more a fan of "Selecting an appropriate and meaningful mix of measures and/or descriptions". There is a danger that "considering contractual funding agreements" is seen as the point when in my opinion that is just one factor to be taken into consideration.

**For reporting entities**

6. **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?**

Yes. This sector generally responds well to educative forums. Any seminars hosted must be captured for subsequent on demand viewing to appropriate leverage the effort and attain maximum long term reach.

As noted previously, efforts need to be made to reach the governing bodies and not just the annual report preparers. This is a holistic issue and requires holistic organisational input to be done well.

**For assurance practitioners**

7. **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?**

Agree.

Risk assessment and materiality is an issue. My sense is that sometimes auditors are being too thorough and risk adverse. I appreciate the sensitivity of this topic.

Auditors hold the power to help the sector with valuable reporting innovation or to kill this area dead.

8. **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?**

Agree.

As also exists in other parts of the financial standard setting universe there is a potential mismatch between specificity in audit standards being greater than that in the reporting standards. This situation always results in inequitable responsibility, liability and leading to auditor vs client tension.

**For users**

**9. 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?**

More education is needed here. One of the significant potential benefits of good quality service performance information is funders not needing other bespoke information from entities. This would save significant cost and resources in the system for all. However at present I would suggest that benefit is not being widely realised mainly due to a lack of awareness and understanding. Government departments and funders are some of the worse culprits in this space. The net result is considerable resource and funding often goes into bespoke applications and reporting compared to addressing what issue the funding is actually provided for.

In my experience great reporting engenders strong stakeholder support.

Well done on grappling with this issue. It is worth it. It is important for a better Aotearoa New Zealand.

I am, as always, happy to assist with any clarifications on my comments, or in any other way I can assist.

Ngā mihi

*Craig Fisher*

Kea New Zealand Limited

craig@kea-nz.co.nz