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To Whom it may concern

Feedback on Reporting and Assurance of Service Performance Information

KPMG welcomes the opportunity to provide comments on the Consultation paper issued in June 2025 on Reporting and Assurance of Service Performance Information for Tier 1 and 2 not-for-profit entities.

Our comments to the questions you seek comment on from assurance practitioners are included below.

Question 1: Do you agree that the root causes described above are contributing to the key challenges in preparing and assuring service performance information?

Root cause identified by XRB	KPMG comment
Lack of clarity over reporting	- Due to the lack of consistency in the Statement of Service Performance (SSP) between similar entities, comparisons between such entities are difficult. We understand that entities need to be able to "tell their own story", however, the lack of prescribed structure for a primary statement tends to negate this. - We often have entities who would like to report on information which goes beyond 'their measure'. For example, wanting to report "having provided homes for 30 people" when the organisation itself simply provided a grant to another entity that then provided the homes to the 30 people. Clarity around the boundary for testing would be useful.
Differences between the public sector and not-for-profit sectors	- We understand that the OAG have issued guidance on how to audit service performance information for

	public sector entities (*2024/25 Guidelines for the audit of service performance information prepared by Crown Entities and Government Departments).* We would encourage the XRB to engage with the OAG to also consider whether additional guidance is required to be incorporated into the standard in respect of Public Sector entities. - We have noted a divergence in views between practitioners and the OAG. Our experience of working on OAG audits, has indicated that the OAG interprets paragraph 19(c) of PBE FRS 48 more broadly that we do on the logic that the public service is all part of a larger entity and therefore in certain situations the delivery of goods and services can be recorded in the SSP of entities which only provide funding for the goods and services.
Maturity in service performance reporting.	- We agree that many entities are still embedding processes and controls that will enable better service performance reporting. Our experience to date has shown us that management does not always accord the SSP as having the same gravitas as the other primary financial statements. Our perception is that in many cases the SSP is seen by entities as a compliance exercise only. - Previous discussions with the XRB Staff regarding entities development of their SSP has led us to understand that entities would have time to develop and evolve their SSP metrics and reporting. Hence, we have treated clients' improvements to their SSP as part of the journey to date. However, when is this "journey" deemed to be complete?
Verification challenges	- The XRB has noted that entities find it hard to understand how much evidence assurance practitioners need, and this can also be said for assurance practitioners. What is

	sufficient appropriate audit evidence for non-financial measures (that often only have an internal source of verification) is a very real challenge for auditors. Further to this, it is often difficult to explain to clients what sufficient appropriate audit evidence is.

Do you have any other feedback on the challenges?

We often have entities wanting to include ESG measures in their SSP's which presents various challenges from an assurance perspective including:

- Difficulties in discussions with management as to whether the measure is 'appropriate and meaningful' and should be included as a measure in their SSP. Whilst these measures are not usually linked to the purpose of the entity, they are an area that the entity does want to present often due to the increased focus on ESG measures by the general public.
- These measures are being included in SSPs when management don't have the knowledge and capability to be able to measure them – these are not climate reporting entities.
- The boundaries of the measures are generally unclear i.e. when entities report an intensity that is their total emissions over revenue, they generally haven't considered their operational boundary for emissions.
- Consideration needs to be given as to how the ESG metrics are being measured i.e for GHG measures are these under the GHG Protocol as for us to be able to audit them there needs to be a criteria.
- Whether we can provide reasonable assurance under NZ AS 1 Revised over these measures. Auditing these measures is a big exercise in itself – should these really be included in SSPs or should they be presented and assured over separately?

Our firm has invested a considerable amount of time and resources into creating templates, workpapers and training for service performance reporting. We went through a process in 2024 to make changes to these resources because of the revision to NZ AS 1 and anticipate that we will be required to do so again depending upon the outcomes of this consultation and any amendments to PBE FRS 48. We understand that a post implementation review has not yet been performed over NZ AS 1 Revised, however we encourage the XRB to make any required amendments to NZ AS 1 Revised at the same time as PBE FRS 48. This would enable a more efficient and less costly update to existing resources for assurance practitioners.

Question 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?

In our view, the issues with PBE FRS 48 are not so much its requirements, but the lack of available detailed guidance and examples to assist practitioners and preparers as to how to apply the standard as envisaged by the NZ ASB. We note the examples on the XRB guidance documents date back to 2021/2022 and need to be updated to provide more useful and sophisticated guidance.

At face value the standard does not appear difficult to apply, but we have found that clients experience difficulties in selecting appropriate metrics, understanding the requirements for comparatives and making changes to reporting metrics in successive years. A particular issue is when a client decides to radically change the SSP including the metrics and does not understand the potential impact to the audit report, that is, changing the SSP may indicate incorrect metrics were selected, resulting in a prior period error and an impact on the audit report.

Additional costs will likely be incurred on applying new guidance, but this will mitigate future costs as when the standard is applied properly, and an appropriate mix of measures selected, it will be easier to audit and the potential for current year and prior year errors is much reduced.

Question 3: Do you agree with all the proposed targeted amendments in (a) – (d)? Are there any other areas that may need clarifying and why?
We think that the proposed targeted amendments will assist entities with improving their service performance reporting. One of the reasons entities have struggled to produce robust service performance reports is that the Basis of Preparation requirements have not been well understood, and neither have the disclosure requirements pertaining to significant judgements and material decisions regarding the selection of performance metrics. More clarification around these requirements would strengthen the actual preparation and disclosure elements of the SSP.

In our view it would be beneficial to mandate the Basis of Preparation of the SSP to be sited in the SSP rather than with the financial statements Basis of Preparation, to ensure readers will at least see if not read the SSP Basis of Preparation.

Question 4: Do you consider that adding an appendix to PBE FRS 48 for the not-for-profit section in (e) would be beneficial to address some challenges experienced by non-for-profit entities?
We agree that adding an authoritative appendix to PBE FRS 48 will assist not-for-profit entities, particularly those that are smaller and have less available time and budget to set up a comprehensive performance framework. Such an appendix would result in more robust service performance information being provided to readers, particularly if the appendix includes the topics listed in the XRB Consultation Paper, being

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

However, we are concerned that existing entities with embedded SSPs will not take the opportunity to incorporate any new guidance or requirements due to the lack of importance assigned to the SSP as a primary statement.

Question 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.
Please refer to our response to question 4.

Question 7: Do you agree that guidance to address the identified challenges will be useful to assurance practitioners? What other areas, other than sufficient appropriate evidence, would be beneficial?
We agree that both obtaining and making a judgement call on what is sufficient appropriate audit evidence is one of the biggest challenges that we as assurance practitioners face when auditing service performance information. Therefore, guidance material on what is sufficient appropriate

evidence for practitioners and preparers would be welcomed. To be of most use we would suggest this guidance covers numerous examples including:

- where the only source of information to support the measure is internal (such as sign in sheets for events held or manual logs of goods/services provided);
- where external parties are engaged to provide information (such as surveys); and
- where the entity does not have controls we can rely on.

The guidance should also provide enough detail on how to assess the relevance and reliability of information used as audit evidence, for example what the assurance practitioner should consider when the entity engages a third party to perform a survey. It would also be helpful if the guidance contained examples of what isn't considered sufficient appropriate audit evidence and what the resulting implications on the audit are; for example when can these be removed from SSP but located elsewhere in the report if the client wishes to continue to present them.

We agree that guidance for the application of materiality (in regard to both determining whether a metric is material and actually establishing a materiality/tolerance for misstatement), considerations when assessing internal controls over service performance information and sampling guidance would be useful and would tangibly assist our audit teams.

It is often hard for us to apply our firm's methodology, which is based on the ISAs, to the non-financial information included in a SSP. For example, our methodology provides guidelines for setting materiality for financial information but does not provide guidance for setting materiality for non-financial information. This lack of guidance contributes to difficulties in the application of various requirements including setting materiality, sampling and evaluation of audit evidence (as discussed above).

Question 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?

Yes, we agree some amendments and guidance would help. Further to our previous comment regarding aligning the timing of any amendments to PBE FRS 48 and NZ AS 1 Revised, we would strongly encourage the XRB to consider whether any of the guidance suggested through this consultation process would be better incorporated as amendments to NZ AS 1 Revised (released at the same time as amendments to PBE FRS 48) rather than guidance.

We are happy to discuss any of our feedback further if requested.

Yours sincerely

Darby Healey

Darby Healey
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