



Te Tari Taiwhenua Internal Affairs

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Reporting and assurance of service performance information – Tier 1 and 2 not-for-profit entities

Charities Services is pleased to provide a submission to the External Reporting Board (the XRB) on the consultation paper regarding the reporting and assurance of service performance information for Tier 1 and 2 not-for-profit entities. We have taken the opportunity to provide general comments from our perspective as a user of service performance information.

Our primary purposes as the regulator of the charitable sector under the Charities Act 2005 are to promote public trust and confidence in the charitable sector; and encourage and promote the effective use of charitable resources. Charities Services' functions under the Act include supporting registered charities in meeting their obligations to submit financial statements that meet the appropriate accounting standards.

Users of Service Performance Information

We have considered the questions set out in Part 7 of the [consultation document](#) as users of service performance information.

Question 9 How do you use service performance information to make decisions?

Charities Services regularly reviews the service performance information as part of compliance checks, to ensure charities are meeting their reporting obligations, as well as a general sense check in relation to the information provided in the financial statements.

We also use the service performance information to get a broader understanding of each charity including what the charity considers to be their main purpose and how they have carried out their main activities to meet their objectives. This information helps Charities Services to gain a better understanding of how the charity operates, which assists us with our monitoring functions.

We make service performance information publicly available on the Charities Register. This enables transparency of the charity's activities for the public and is an important mechanism for increasing public trust and confidence in the charitable sector.

Question 9 Do you face any challenges in understanding service performance information and what may be the cause of these challenges?

Charities Services generally has not faced challenges in understanding service performance information reported by Tier 1 and 2 entities. However, we are concerned when an organisation receives a modified opinion – especially a disclaimer of opinion – in regard to service performance information.

The public may have challenges in understanding service performance information, especially when seeking to understand a charity's activities and when attempting to compare charities within the same sector, as the presentation of the information can vary widely. Modified audit opinions relating to service performance information may also cause confusion and concern for the public. Charities Services therefore supports targeted education and clarity for auditors and organisations as recommended in the consultation not only for our use, but to enhance public trust and confidence in the sector.

Question 10 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?

We consider the inclusion of a separate basis of preparation for this singular standard (PBE FRS 48) would be confusing, as this standard is already included as part of the Tier 1 or 2 basis of preparation. Instead, XRB could consider using more explicit language within PBE FRS 48 to clarify that the requirements under PBE IPSAS 1 apply to the reporting of service performance information.

Additional education regarding how the PBE FRS 48 standard fits into the current basis of preparation may also be appropriate, including prompts for preparers to consider the users of the information, selection of performance measures, and measurement techniques and approaches.

Charities Services does see value in the disclosure of significant judgements, and considers them to be helpful in understanding service performance information. We recommend providing examples to the sector of how these disclosures could be presented.

Thank you for the opportunity to comment.

Nga mihi,

A handwritten signature in black ink, appearing to read 'Charlotte Stanley', with a stylized, flowing script.

Charlotte Stanley

Director – Charities Services | Ngā Ratonga Kaupapa Atawhai
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