

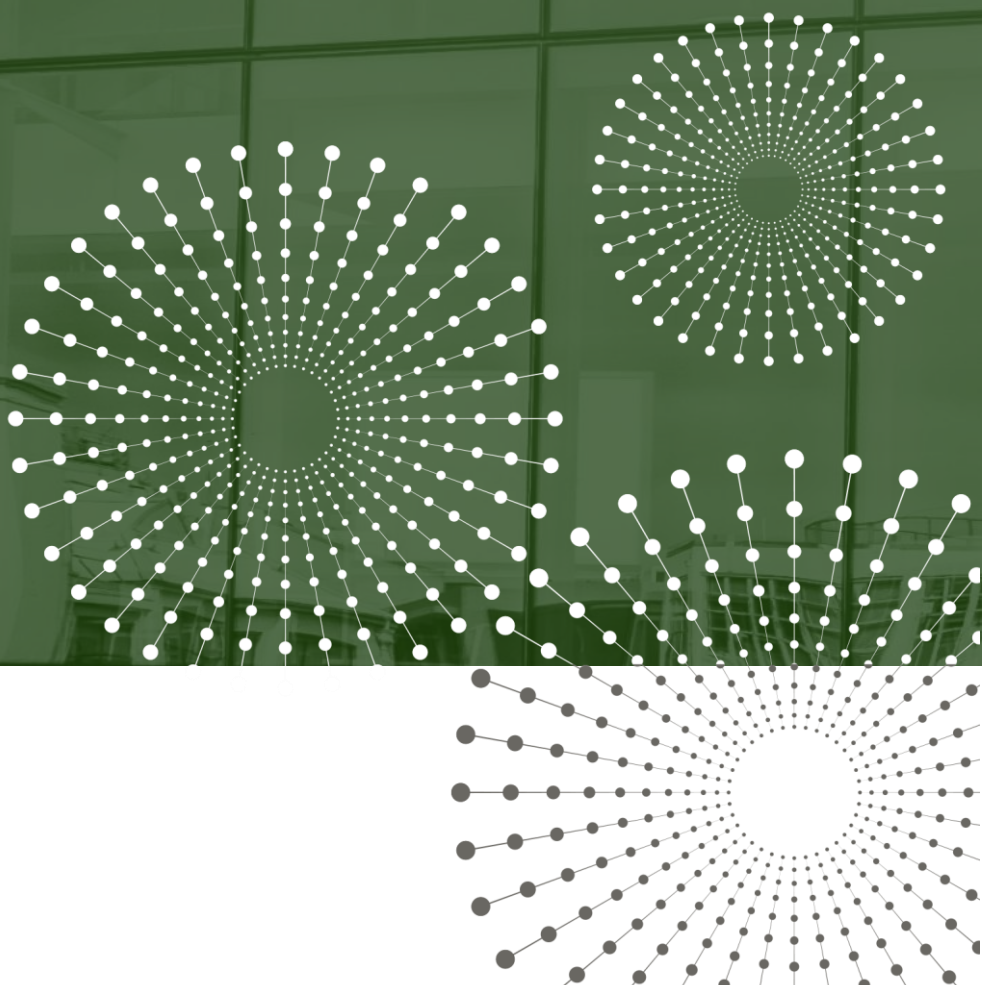
# Obtaining audit evidence over service performance information

Illustrative examples

Staff guidance



February 2026





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## **This guidance is for auditors who audit service performance information that is reported in accordance with the XRB's financial reporting standards**

NZ AS 1 (Revised) *The Audit of Service Performance Information*, together with the International Standards on Auditing (New Zealand) (**ISAs (NZ)**), set out the requirements to obtain reasonable assurance over service performance information.

Service performance information is an evolving and maturing area of reporting and assurance. While it has been required for many years in the public sector, it is a relatively new area for many not-for-profit entities.

In practice, auditors follow an iterative audit evidence gathering process and revisit the considerations below as new information emerges during the engagement:

1. The risk of material misstatement, and the audit evidence needed to respond to those risks
2. The sources of audit evidence available, and how the sources affect the persuasiveness of the audit evidence and the nature of the procedures that may be performed
3. The purpose of a procedure and how that affects the nature, timing and extent of the procedures performed
4. The use of professional judgement and professional scepticism to evaluate the sufficiency and appropriateness of the audit evidence obtained.

## **This guidance features two illustrative examples of how the auditors may obtain sufficient appropriate audit evidence**



This guidance provides two illustrative examples to support implementation of the XRB's auditing standards when auditing service performance information – one relating to qualitative service performance information and the other relating to quantitative service performance information.

Each illustrative example sets out the circumstances of the situation, and then presents key considerations for how the auditor may obtain sufficient appropriate audit evidence.

The examples:

- focus on how the auditing standards might apply in practice to gather sufficient appropriate audit evidence to support the opinion expressed over reported service performance information
- are not intended to suggest either 'best practice' or the only way of addressing the matters set out in the examples
- are illustrative examples only and are not exhaustive as they include only a selection of procedures an auditor may perform in relation to the fact pattern set out.

If you have any feedback on this guidance, please contact us at [assurance@xrb.govt.nz](mailto:assurance@xrb.govt.nz)

# Important themes when auditing service performance information

 <p><b>Engage early</b></p> <p>Engage early with management to determine whether the entity's service performance reporting process provides a reasonable basis for the reported service performance information (or information intended to be reported).</p>	 <p><b>Understand the entity</b></p> <p>Obtain a good understanding of the entity (why the entity exists, what it intends to achieve and what activities or services the entity performs) and its service performance reporting process.</p>
 <p><b>Focus on what is important to users</b></p> <p>Focus on obtaining audit evidence over the significant elements/aspects of service performance that are important to users and the related material service performance measures/descriptions. Auditors may not need to obtain audit evidence on every service performance measure.</p>	 <p><b>Risk assessment is key</b></p> <p>Use the assertions and inherent risk factors to help identify and assess risks of material misstatement.</p> <p>"What is sufficient appropriate audit evidence?" needs to be considered in the context of assessed risks and the audit approach to mitigate those risks.</p>
 <p><b>Look for different sources of audit evidence</b></p> <p>Look for different sources of audit evidence for service performance information and think beyond the systems and processes that support financial information.</p>	 <p><b>Focus on the facts in qualitative descriptions</b></p> <p>Auditors can assure qualitative service performance information when it is factual and directly observable. Auditors may consider breaking up long pieces of text to focus on the facts.</p>
 <p><b>Document significant judgements</b></p> <p>Auditing service performance information can involve significant professional judgements. Document significant judgements along with the nature, timing and extent of audit procedures performed.</p>	 <p><b>Apply professional judgement and professional scepticism</b></p> <p>Consider available sources of audit evidence, the persuasiveness of audit evidence and the nature of the procedures that can be performed to determine what is sufficient appropriate audit evidence.</p>



## Example 1: Qualitative service performance information

### Background to this example

An entity has an objective to enhance primary health care by improving the accessibility of the healthcare services it provides to communities.

It aims to:

1. Reduce travel-related barriers for patients by offering virtual consultations
2. Support timely interventions for minor or follow-up consultations through virtual services, thereby easing pressure on physical clinics
3. Facilitate continuity of care through online follow-ups, allowing clinicians to monitor patient progress without requiring on-site appointments.

### Draft statement of service performance extract

#### *Digital health services*

*At the start of the reporting period, we launched digital health services to enhance access to timely health care. This service offers access to general practitioners, nursing, and advice after hours for individuals residing in or visiting rural areas.*

*We engaged a third party to conduct a survey of the patients who used the digital service to obtain feedback about their experience. 70% of the patients were satisfied with the service provided. For further information on how the survey was compiled and conducted, and for detailed quantitative results, go to table 1 on page x.*

*Mere, a satisfied user of the service, shared her experience with us:*

*"With not being able to drive, previously I had to rely on family and friends being available to take me to my GP appointments. With the digital health service," Mere explains, "I am able to talk to a doctor in a timely manner before my symptoms worsen, giving me peace of mind. I have also used the digital health service to follow-up in person consultations which has made managing my chronic condition easier".*

*Having more regular contact with health professionals to monitor her chronic condition, Mere has shown significant improvement.*

*The story of Mere highlights how the digital health service improves accessibility to health care for communities.*

### Auditor's work to date



#### Understand the entity

The auditor obtained an understanding of the entity (why the entity exists, what it intends to achieve and what activities or services the entity performs), the applicable legal and regulatory framework, and the service performance information process<sup>1</sup>.



#### Focus on what is important to users

The auditor used their understanding, and other planning procedures, to evaluate<sup>2</sup> management's assessment of what aspects of service performance, performance measures and measurement bases to report on. The auditor agreed that the entity's new digital health service is a significant aspect of the entity's service performance because it directly supports their core objectives. The auditor identified that the:

- Launch of the digital health services
- Survey results of patients' satisfaction with the service provided
- Extracts of a quote from the survey; and

<sup>1</sup> NZ AS 1 (Revised), paragraphs 15-18.

<sup>2</sup> NZ AS 1 (Revised), paragraph 25. This example does not deal with, and is not intended to illustrate, the auditor's evaluation and conclusion of whether the description is appropriate and meaningful.

- Details of the patient’s improved health condition

are qualitative and quantitative service performance measures and/or descriptions of importance to users that reflect what the entity is accountable for, what it intended to achieve and how it went about achieving its service performance objectives<sup>3</sup>. The auditor determined these measures to be material based on their professional judgement and materiality considerations. The auditor’s materiality considerations determined the auditor’s tolerance for misstatement in relation to these measures.

## Identify and assess risks of material misstatement



### Risk assessment is key

In obtaining an understanding<sup>4</sup> of the entity’s process to prepare the above description, the auditor identified the following risks of material misstatement related to the information:

- The entity cannot substantiate key facts in the description (occurrence)
- The description overstates patients’ satisfaction with the service, because the reported percentage does not agree with the results in the survey report (faithful representation)
- Quotes that the entity selects do not appropriately reflect service performance or may mislead users (presentation and accuracy).

The auditor assessed these risks as follows:

- “Low” risk that key facts made cannot be substantiated. Key inherent risk factors<sup>5</sup> considered:
  - Previous audits have not identified any significant statements that the entity has not been able to substantiate (“other” events or conditions that indicate a risk of material misstatements)
  - Key facts have no or a low level of subjectivity or uncertainty (subjectivity).
- “Low” risk that the description overstates patients’ overall satisfaction with the service. Key inherent risk factors considered:
  - Previous audits have not identified instances of overstatement (“other” events or conditions that indicate a risk of material misstatements)
  - Assessing whether the reported overall satisfaction is consistent with the survey results is straightforward. However, the faithful representation of the survey results depends on patient selection, response collation and reporting (susceptibility to misstatement due to management bias or other fraud risk factors)
  - The entity outsourced the survey process to a reputable external service provider that uses a well-known off-the-shelf survey tool (complexity).
- “Moderate” risk that the quote does not appropriately reflect the entity’s service performance or is misleading. Key inherent risk factors considered:
  - The entity has been criticised in the media for spending a large amount of money to develop and implement the digital service. The entity may want to overstate the benefits of the service to justify the spending to its funders and the community (susceptibility to misstatement due to management bias or other fraud risk factors)
  - Determining which quotes to include require management’s judgement (susceptibility to misstatement due to management bias or other fraud risk factors)

<sup>3</sup> PBE FRS 48, *Service Performance Reporting*, paragraph 19

<sup>4</sup> NZ AS 1 (Revised) paragraph 18 as it relates to understanding the information system and communication relevant to the preparation of service performance information, as well as the control activities component.

<sup>5</sup> ISA (NZ) 315 *Identifying and Assessing the Risks of Material Misstatement*, Appendix 2



- The entity may be reluctant to report negative experiences with the digital service as it may deter patients from using the platform (susceptibility to misstatement due to management bias or other fraud risk factors).

## Audit procedures in response to the assessed risks

In designing the audit procedures, the auditor considered the persuasiveness of the audit evidence required for the “low” and “moderate” assessed risks.

### Response to the “low” risk that key facts that cannot be substantiated



#### Focus on the facts in qualitative descriptions

*At the start of the reporting period, we launched digital health services to enhance access to timely health care.*

The auditor referred to the minutes of governance meetings which indicated the date when the new digital health service was approved and launched. The auditor concluded that the audit evidence was sufficiently relevant and reliable to respond to the “low” risk.

If the circumstances were different and the auditor was responding to a higher assessed risk, the auditor may seek more persuasive audit evidence, such as:

- A signed service level agreement from a third-party provider
- A go-live approval, an internal document signed by authorised individuals indicating the specific date from which the system was first in use.



#### Apply professional judgement and professional scepticism

*Having more regular contact with health professionals to monitor her chronic condition, Mere has shown significant improvement.*

The auditor was sceptical about this statement and asked management to substantiate the statement that Mere’s condition has significantly improved and whether this was as a direct result of more regular contact through using the digital health service. Management could not substantiate a direct relationship and agreed that other factors such as improved medical interventions had a significant impact. Management therefore removed the sentence.

An alternative option to removing the sentence, was for management to update the statement and provide the necessary supporting information to the auditor for the updated statement:

*Having more regular appointments, ~~contact with health professionals~~ were able to monitor her chronic ~~whether Mere’s condition, Mere has shown significant~~ was improving ~~ement or whether changes to her~~ medicine were required.*

### Response to the “low” risk that the description overstates patients’ satisfaction

*We engaged a third party to conduct a survey of the patients who used the digital service to obtain feedback about their experience. 70% of the patients were satisfied with the service provided. For further information on how the survey was compiled and conducted, and for detailed quantitative results, go to table 1 on page x.*

To test the overall reliability of the survey results, the auditor obtained a copy of the survey results directly from the third-party provider. With a “low” risk assessment, the auditor reviewed the survey report to evaluate the adequacy of description below table 1 on page x including how the survey was compiled and conducted. The auditor documented their evaluation of the following aspects of the survey process:

- How the patients were selected
- Whether there was any potential bias in the questionnaire

- How the patients' responses were collated and reported.

The 70% satisfaction rate reported in the statement of service performance was agreed to the survey report obtained from the third party.

**Response to the “moderate” risk the quote selected does not appropriately reflect the entity’s service performance or is misleading**

*“With not being able to drive, previously I had to rely on family and friends being available to take me to my GP appointments. With the digital health service,” Mere explains, “I am able to talk to a doctor in a timely manner before my symptoms worsen, giving me peace of mind. I have also used the digital health service to follow-up in person consultations which has made managing my chronic condition easier”.*

The auditor determined that the quote was selected from patient feedback provided in the patient survey and was a direct quote of Mere’s feedback.

The auditor considered whether one positive quote overstated good performance, downplayed/omitted poor performance, and could be misleading. The auditor therefore considered other feedback in the survey and noted that other patients who were “satisfied” with the service, shared Mere’s sentiment. The auditor determined the quote was an appropriate representation of the “satisfied” population of respondents, in that it did not create a misleading picture of performance, was not biased nor misrepresentative of the trend.

However, the auditor identified that the majority of the feedback from “dissatisfied” patients centred around frustration with the digital service disconnecting during consultations. This information was consistent with the auditor’s knowledge obtained from reviewing governance meeting minutes.

Following discussions, management agreed to include the following wording to provide a more balanced view:

*“Some issues were experienced with the new system in the current year where patients were disconnected on multiple occasions during consultations. This issue was reflected in some of the comments received by dissatisfied patients who were frustrated by the service over this period”.*





## Example 2: Quantitative service performance information

### Background to this example

The entity's purpose is to support families when a family member is diagnosed with a critical illness by helping families to feel less isolated. The objective of the entity's peer-support approach is that families find connection and support from others through a lived, shared experience.

The entity holds events that create a safe space for families to share experiences and offer support to one another. Families who sign up with the entity can participate in events throughout the year. Events include family gatherings and parent evenings. The entity monitors event attendance as a proxy for whether the entity's objective is being met.

Previously, the entity recorded the number of families who signed up with the entity. This approach, however, did not capture who attended events nor whether the entity achieved its objective. Trend analysis of this data was also skewed by increases in the number of diagnoses.

### Statement of Service Performance extract

#### Service Performance indicators – peer-to-peer support

Measurement	Current year 20xx	Prior year 20xx
Number of families attending events	2,045	1,874

**Number of families attending events:** the sum of the number of families\* that have attended each event held during the reporting period

\* One or more family members is measured as one family.

### Auditor's work to date



#### Focus on what is important to users

Using their understanding of the entity<sup>6</sup> (why the entity exists, what it intends to achieve and what activities or services the entity performs), the auditor documented that they agreed with management's assessment, that "the peer-to peer support approach" is an important element/aspect of the entity's service performance information.<sup>7</sup> Based on their understanding of the entity's process to identify intended users, the auditor noted that intended users include both funders and service recipients<sup>8</sup>. The entity's engagement with intended users confirmed that reporting the number of families attending events reflects what it is accountable for and how it went about achieving its service performance objectives<sup>9</sup>. As such, the auditor, in their professional judgement, determined that the number of families attending events is a material measure. As a material measure, it would be subject to further audit procedures designed to obtain audit evidence on whether it is free from material misstatement.

<sup>6</sup> NZ AS 1 (Revised), paragraphs 15-18.

<sup>7</sup> This example does not deal with, and is not intended to illustrate, the auditor's evaluation and conclusion of whether the description is appropriate and meaningful

<sup>8</sup> PBE FRS 48, paragraphs IN4, IN5

<sup>9</sup> PBE FRS 48, paragraphs 19



## Identify and assess risks of material misstatement

### Risk assessment is key

The auditor considered how the measure could be misstated and identified the following risk of material misstatement: *The number of families who attended the event is not accurate (occurrence and accuracy).*

The auditor assessed and documented the risk as “moderate” having considered the following key inherent risk factors<sup>10</sup>:

- Management may overstate the number of families who attended events to reflect a more favourable level of service performance (susceptibility to misstatement due to management bias or other fraud risk factors)
- Different volunteers manually processing multiple events may result in data entry errors (change and “other” events or conditions that may indicate risks of material misstatement).

## Audit procedures in response to the assessed risks



### Engage early

The auditor engaged early with the entity to understand how attendance data is captured, and what relevant and reliable evidence is available, to plan and perform audit procedures over the reported number.

If the entity could not provide information to corroborate the number of families attending the events, then the auditor may have discussed with management, whether management made a more general statement, such as, “our events are attended by a number of people”. For a more general statement, audit evidence such as photos and social media posts may have been sufficient.

## Obtaining sources of audit evidence



### Look for different sources of audit evidence

The auditor asked management the following questions to determine what information sources were available to address the risk of material misstatement:

- How do you determine the number of families that attend each event?
- Is the same process applied across all similar events and locations?
- What records do you keep from each event about the number of families who attended?
- Are there any records relating to the events from external parties, for example invoices?

The auditor’s workpapers described the following key points from the enquiries:

- Events take place indoors at local coffee shops or community centres. A sign-in sheet is used to record attendance, and a volunteer ensures that each attending family signs in. If more than one family member attends, they are recorded as one family attending in accordance with the entity’s measurement basis. Staff collate information from the sign-in sheets into a summary spreadsheet.

## Considering reliability of available audit evidence

To consider the reliability<sup>11</sup> of available sources of information, the auditor asked management:

- How do you obtain comfort that the number of families attending events is complete and accurate?

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<sup>10</sup> ISA (NZ) 315, Appendix 2

<sup>11</sup> ISA (NZ) 500 *Audit Evidence*, paragraph 7

- Is this information shared with the board? If so, what questions do they ask about the information?
- Have any errors been detected? If so, what were they, and how were they identified and resolved?

## Considering relevance of available audit evidence



### Document significant judgements

When designing the audit procedures, the auditor considered the purpose of the audit procedures and whether the information sources available are relevant for the purpose of the procedure.<sup>12</sup>

The auditor designed the procedures to address the following assertions:

- Occurrence: management may overstate the number of families attending events to reflect a more favourable level of service performance; and
- Accuracy: primarily over the data entry processes.

In the auditor's professional judgement, the risk of understatement or completeness of families not signing is minimal due to the entity wanting to reflect the most favourable level of performance. The auditor planned to test the completeness of the information produced by the entity<sup>13</sup>.

### Perform audit procedures

The auditor performed the following procedures based on the "moderate" risk assessment.

To test occurrence and accuracy, the auditor:

1. Tested the mathematical accuracy of the summary spreadsheet that collates the number of families who attended events
2. Selected a sample using the firm's audit sampling methodology which calculates a sample size based on the population size and risk assessment of "moderate". For each selected event:
  - Added up the number of family names on the sign-in sheet, making sure that families with more than one person attending are not counted twice
  - Agreed the number with the number on the summary spreadsheet.

To test completeness, the auditor haphazardly agreed a selection of events from the entity's schedule of events on their website to the summary spreadsheet of events.

## Evaluating the audit evidence obtained



### Apply professional judgement and professional scepticism

The auditor used professional judgement and exercised professional scepticism to evaluate whether the audit evidence obtained was sufficient and appropriate.

The auditor considered:

- Whether the sign-in sheets were available for the events
- Whether the number of families attending events was able to be verified to a high level of precision.

<sup>12</sup> ISA (NZ) 500, paragraph 7

<sup>13</sup> ISA (NZ) 500, paragraph 9 (a)