

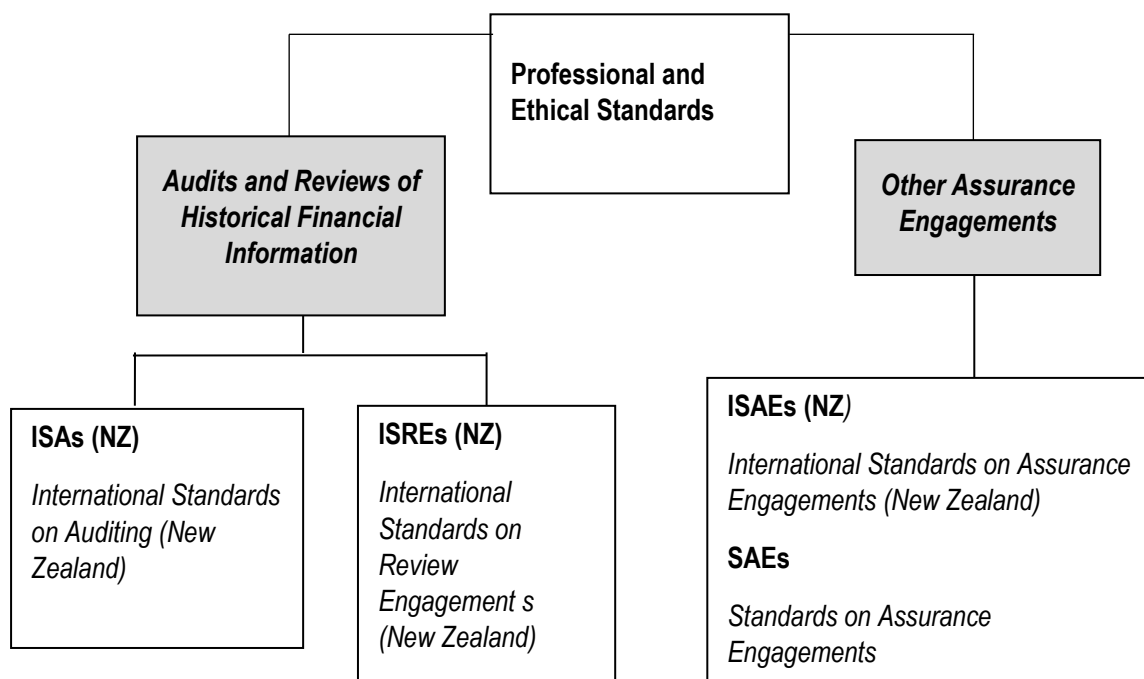
**EXPLANATORY GUIDE Au9**

**Guidance on the audit or review of the performance report of Tier 3 not-for-profit public benefit entities**

**Issued December 2015**

For periods beginning on or after 1 April 2015, tier 3 not-for-profit (NFP) public benefit entities (PBEs) will be required to prepare a performance report. This report will include entity information and a statement of service performance, together with historical financial information. Depending on the size or type of the tier 3 entity, the performance report may be required by law to be audited or reviewed.

The assurance standards issued by the New Zealand Auditing and Assurance Standards Board (NZAuASB) are developed under a framework that draws a distinction between engagements where the subject matter information is historical financial information or other types of information. The framework for the standards is illustrated in the following diagram:



When auditing or reviewing a performance report, the ISAs (NZ) or ISREs (NZ) do not cover the non-financial information required to be included in the entity information and statement of service performance (SSP). Under the assurance framework, this type of information is covered by the ISAEs (NZ). This means that assurance practitioners that are engaged to audit or review a performance report have to apply two different parts of the assurance framework (ISAs (NZ) for the historical financial information, and the ISAEs (NZ) for the entity

information and statement of service performance) in order to form a conclusion on the overall performance report.

	<b>Performance report</b>	
	<b>Historical financial information</b>	<b>Entity information and SSP</b>
<b>Audit</b>	ISAs (NZ)	ISAE (NZ) 3000 (Revised)
<b>Review</b>	ISRE (NZ) 2400 (Revised)	ISAE (NZ) 3000 (Revised)

The NZASB is currently developing a financial reporting standard covering service performance information reporting requirements for Tier 1 and Tier 2 public benefit entities. The NZAuASB is concurrently developing an auditing standard on Service Performance Information (SPI) to apply when auditing a general purpose financial report that consists of financial and service performance information (such as the performance report of Tier 3 NFP PBEs). Once the auditing standard is developed, the NZAuASB will also look to develop a separate review standard on SPI to apply when engaged to review a general purpose financial report that consists of financial and service performance information. The auditing standard on SPI being developed may avoid the need for auditors to apply two different parts of the assurance framework when auditing a general purpose financial report that consists of financial, entity and service performance information. This auditing standard will not be available for use in the audits of NFP PBEs for March 2016 year ends, but is expected to be available and effective for when the new tier 1 and tier 2 financial reporting requirements are finalised and are in effect.

In the absence of a specific applicable assurance standard on the entity information and statement of service performance included as an integral part of the performance report of a Tier 3 NFP PBE, the appropriate NZAuASB standard to apply is ISAE (NZ) 3000 (Revised) *Assurance Engagements other than Audits or Reviews of Historical Financial Information*.

The NZAuASB has formulated this Explanatory Guide<sup>1</sup> to assist assurance practitioners that are engaged to audit or review a performance report, until such time as the assurance standard on SPI being developed is in effect. It provides guidance on how to apply ISAE (NZ) 3000 (Revised) to form a conclusion about whether the entity information and the statement of service performance included in the performance report prepared in accordance with Tier 3 *Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit)* are fairly stated, to enable a conclusion to be expressed on whether the overall performance report is fairly presented. The assurance practitioner must comply with ISA (NZ) 700 or ISRE (NZ) 2400 (Revised), and ISAE (NZ) 3000 (Revised) to prepare the assurance report. Even though the assurance standards differ for financial and non-financial information, the principles are the same and the work performed on one type of information can often be used for both purposes. This guidance will assist the practitioner to accept, plan, perform and report in the most efficient way, by highlighting the areas that are common to both the financial and non-financial

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<sup>1</sup> Acknowledgement

Some information in this guidance has been drawn from the Auditor-General's Auditing Standard AG-4 (Revised) *The audit of service performance reports*.

information, as well as highlighting areas where there are differences. This is to enable the practitioner to perform the work concurrently, efficiently and in an all-encompassing manner.

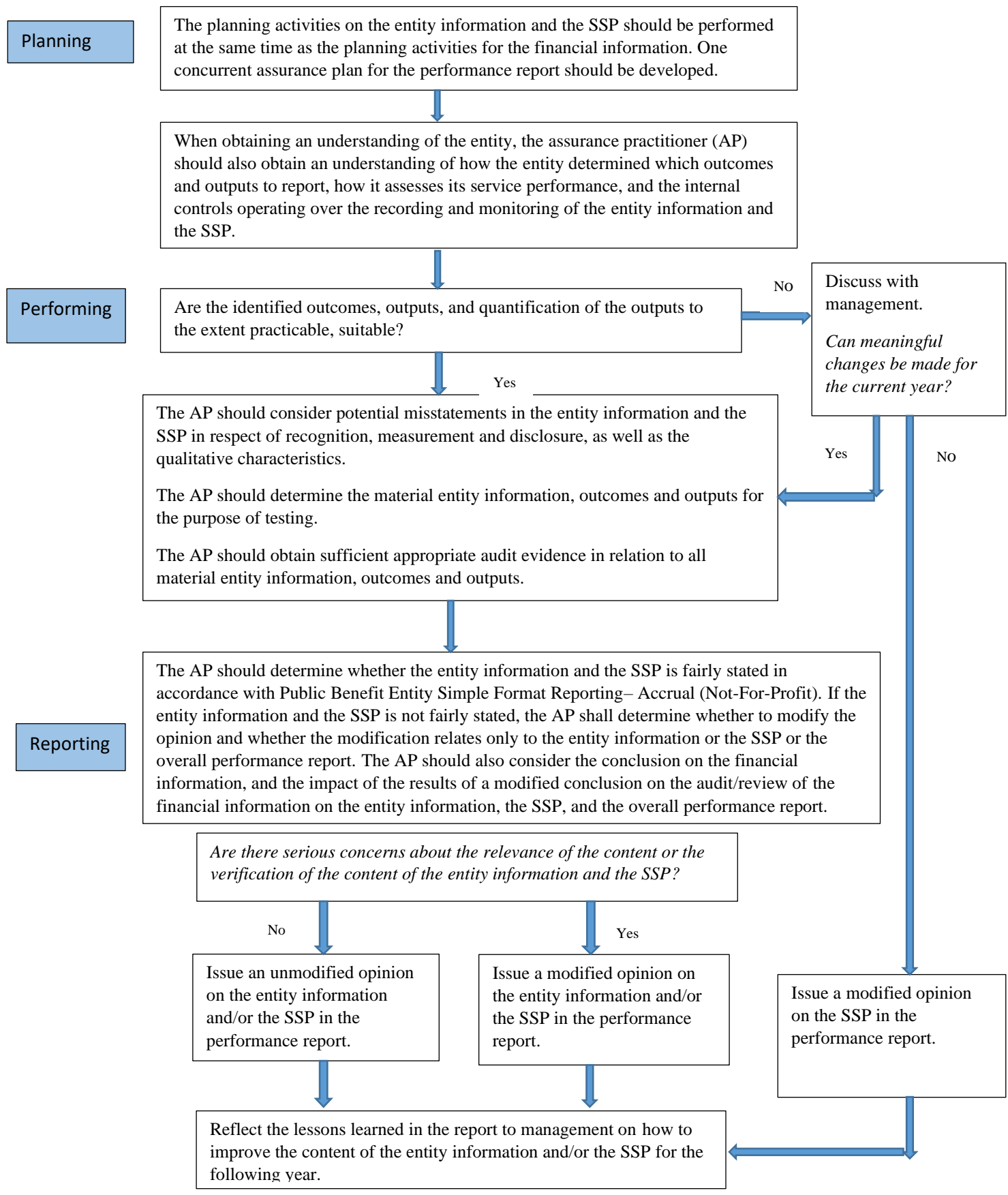
This guidance will stay in place until an applicable auditing standard and review standard on SPI come into effect.

The NZAuASB has recently issued new and revised auditor reporting standards that will be effective for audits of financial statements for periods ending on or after 15 December 2016 with early adoption permitted. The revised auditor reporting requirements have not been reflected in this guidance.

This publication does not amend or override ISAE (NZ) 3000 (Revised), the ISAs (NZ) or ISRE (NZ) 2400 (Revised), the texts of which are authoritative. Reading this document is not a substitute for reading those standards. This document is not meant to be exhaustive and reference to ISAE (NZ) 3000 (Revised), and the ISAs (NZ) or ISRE (NZ) 2400 (Revised) should always be made when conducting an audit or review of a performance report. It includes explanatory material on specific matters for the purposes of understanding and complying with NZAuASB Standards. The assurance practitioner exercises professional judgement when using this Explanatory Guide.

This Explanatory Guide is an explanatory document, has no legal status and does not prescribe or create new requirements.

**Decision tree for the audit/review of the entity information and statement of service performance included in the performance report**



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EXPLANATORY GUIDE Au9

**GUIDANCE ON THE AUDIT OR REVIEW OF THE PERFORMANCE REPORT OF TIER 3 NOT-FOR-PROFIT PUBLIC BENEFIT ENTITIES**

*Issued by the New Zealand Auditing and Assurance Standards Board*

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## Introduction

### Accounting and assurance requirements for NFP PBE entities

1. For periods beginning on or after 1 April 2015 Not-For-Profit (NFP) public benefit entities (PBEs) that are registered charities are required by statute to prepare financial statements using the applicable XRB standards. Other NFP PBEs (Not-For-Profit Friendly Societies and Not-For-Profit Maori Incorporations) have been required to do so for periods beginning on or after 1 April 2014.
2. The financial reporting requirements to be applied in the preparation of the financial statements are determined under XRB A1<sup>2</sup>. Those financial statements may also be required by statute to be audited or reviewed. The audit or review requirements are determined by statute depending on size criteria. The accounting and assurance requirements for NFP PBE entities are as below:

	<b>XRB NFP PBEs reporting criteria</b>	<b>Statutory audit or review requirements</b>	<b>Reporting of entity information and service performance information required</b>
Tier 1	<ul style="list-style-type: none"> <li>• Public Benefit Entity Standards</li> <li>• Over \$30 million annual expenses</li> <li>• Or has public accountability</li> </ul>	<p><i>The following Tier 1 reporting entities are required to have an audit:</i></p> <ul style="list-style-type: none"> <li>• Large registered charity</li> <li>• Large Not-For-Profit Friendly Society<sup>3</sup></li> <li>• Large Not-For-Profit Maori Incorporation<sup>4</sup></li> </ul>	Not yet <sup>5</sup>
Tier 2	<ul style="list-style-type: none"> <li>• Public Benefit Entity Standards Reduced Disclosure Regime</li> <li>• Under \$30 million annual expenses</li> <li>• Without public accountability</li> </ul>	<p><i>The following Tier 2 reporting entities are required to have an audit:</i></p> <ul style="list-style-type: none"> <li>• Large registered charity</li> <li>• Large Not-For-Profit Friendly Society</li> <li>• Large Not-For-Profit Maori Incorporation</li> </ul>	Not yet <sup>5</sup>

<sup>2</sup> XRB A1, *Application of the Accounting Standards Framework*.

<sup>3</sup> Friendly Societies and Credit Unions Act 1982

<sup>4</sup> Te Ture Whenua Maori Act 1993

<sup>5</sup> The NZASB is in the process of developing an accounting standard that will require the reporting of service performance information for Tier 1 and Tier 2 PBE reporting entities.

	<b>XRB NFP PBEs reporting criteria</b>	<b>Statutory audit or review requirements</b>	<b>Reporting of entity information and service performance information required</b>
Tier 3	<ul style="list-style-type: none"> <li>Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit)</li> <li>Under \$2m annual expenses</li> <li>Without public accountability</li> </ul>	<p><i>The following Tier 3 reporting entities are required to have an audit:</i></p> <ul style="list-style-type: none"> <li>Registered charity with expenses greater than \$1.1m</li> <li>Not-For-Profit Friendly Society with operating expenses greater than \$140k</li> </ul> <p><i>Registered charity with expenses between \$550k and \$1.1m can choose to have an audit or a review</i></p> <p><i>Registered charity with expenses less than \$550k has no statutory audit or review requirement.</i></p>	Yes
Tier 4	<ul style="list-style-type: none"> <li>Public Benefit Entity Simple Format Reporting -Cash (Not-For-Profit)</li> <li>Under \$125k annual operating expenses</li> <li>Without public accountability</li> </ul>	No statutory audit or review required	Yes

- NFPs that are eligible for and elect to apply the tier 3 NFP PBE simple format requirements, and those that are eligible for and elect to apply the tier 4 NFP PBE simple format requirements, are required to prepare a ‘performance report’. A tier 3 NFP PBE performance report comprises entity information, a statement of service performance (SSP), a statement of financial performance, a statement of financial position, a statement of cash flows, a statement of accounting policies and notes to the performance report<sup>6</sup>.
- The tier 3 NFP PBE simple format requirements require the entity information<sup>7</sup> to comprise:

<sup>6</sup> Tier 4 NFP PBE simple format requirements performance report requires entity information, a SSP, a Statement of Receipts and Payments, and a Statement of Resources and Commitments, and notes to the performance report.

<sup>7</sup> Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) paragraph A37.



- The entity's name, type of entity and legal basis (if any);
  - The entity's purpose or mission;
  - A description of the structure of the entity's operations (including governance arrangements);
  - The main sources of the entity's cash and resources;
  - The main methods used by the entity to raise funds;
  - The entity's reliance on volunteers and donated goods and services; and
  - Any additional information that is considered essential to users' overall understanding of the entity.
5. The tier 3 NFP PBE simple format requirements require the SSP to<sup>8</sup>:
- Describe the outcome(s) (that is what the entity is seeking to achieve in terms of its impact on society) that the entity is seeking to achieve or influence through the delivery of its goods or services; and
  - Describe, and quantify to the extent practicable, the outputs (the goods or services) the entity has delivered for the current year. The SSP need include only the outputs that are significant to the performance of the entity.

Additional information may be included.

6. Currently NFP PBE entities that are eligible for and elect to apply Tier 1 or Tier 2 NFP PBE accounting requirements are not required to prepare entity or service performance information. However, some of these entities may elect to do so. If they elect to do so, they will have to comply with the tier 1 or tier 2 requirements in PBE IPSAS 1 para 150.1<sup>9</sup> which are different from the Tier 3 entity information and SSP requirements.
7. A statutory audit or review is required to be performed by a qualified auditor<sup>10</sup>, applying the XRB auditing and assurance standards.
8. Where there is no statutory requirement for an audit or a review, but an entity elects to have an audit or review and appoints a member of a professional accounting body to perform the engagement, the rules of the professional body may require their members to apply the XRB auditing and assurance standards.

#### **Audit or review requirements of the entity information and the SSP**

9. NFP PBEs that apply the tier 3 simple format reporting requirements, *Public Benefit Entity Simple Format Reporting - Accrual (Not-For-Profit)*, may require either a statutory audit or a review of a performance report that includes entity information and a statement of service performance.

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<sup>8</sup> Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) paragraph A41.

<sup>9</sup> The NZASB is currently developing a financial reporting standard covering service performance information which will replace the requirements in PBE IPSAS 1.

<sup>10</sup> As defined by section 35 of the Financial Reporting Act 2013.

10. This means that the assurance practitioner engaged to perform an audit or review of a NFP PBE performance report prepared in accordance with *Public Benefit Entity Simple Format Reporting- Accrual (Not-For-Profit)* is required to audit or review both the financial information and the entity information and SSP, to enable an audit opinion or a review conclusion to be expressed on the overall performance report.
11. If a registered charity that does not have a statutory requirement to have an audit or a review of its performance report elects to have an audit or review, or a Not-For-Profit society that does not have a statutory requirement to have an audit elects to have an audit or review, the entity can decide whether it wants the entity information and SSP included in the assurance engagement. In these circumstances:
  - the engagement letter needs to set out the scope of the engagement and reporting.
  - the audit or review report needs to be clear about what information in the performance report the conclusion covers.
  - In an audit engagement, where the entity elects not to have the entity information and SSP audited, this information will be subject to the requirements of ISA (NZ) 720<sup>11</sup>.
  - In a review engagement where the entity decides to exclude the SSP and/or the entity information from the review engagement, there is no requirement for the assurance practitioner to consider the entity information and SSP included in the performance report.
12. A Not-For-Profit Maori Incorporation that does not require an audit can opt to have an audit or review if the shareholders pass a special resolution. In this case it is a statutory assurance engagement and the entity cannot elect to have only sections of the performance report subject to the assurance engagement. The audit or review conclusion will have to include the entity information and the SSP.

### **Applicable auditing and assurance standards to apply to the performance report of Tier 3 NFP PBEs**

13. The International Standards on Auditing (New Zealand) (ISAs (NZ)) are written in the context of an audit of financial statements by an auditor. They are to be adapted as necessary in the circumstances when applied to audits of historical financial information. While the entity information and SSP is an integral part of the performance report produced in accordance with *Public Benefit Entity Simple Format Reporting- Accrual (Not-For-Profit)*, it is not a part of the financial statements as defined in the ISAs (NZ) and is therefore not within the scope of the ISAs (NZ).
14. The applicable standards to apply in the audit or review of the performance report that includes historical financial and other types of information are as follows:

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<sup>11</sup> ISA (NZ) 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*

	<b>Performance report</b>		
	<b>Historical financial information</b>	<b>Entity information and SSP</b>	<b>Other information included with the performance report</b>
<b>Audit</b>	ISAs (NZ)	ISAE (NZ) 3000 (Revised)	ISA (NZ) 720
<b>Review</b>	ISRE (NZ) 2400 (Revised) <sup>12</sup>	ISAE (NZ) 3000 (Revised)	ISAE (NZ) 3000 (Revised)

## Purpose of this guidance

15. This guidance is to assist assurance practitioners when engaged to perform an audit or review of the performance report.
16. This guidance highlights where the practitioner should concurrently apply the ISAs (NZ) or ISRE (NZ) 2400 (Revised), and ISAE (NZ) 3000 (Revised) when auditing or reviewing the performance report, highlighting those considerations specific to the entity information and the SSP to enable the practitioner to express a conclusion on the performance report.
17. This guidance has been prepared in a columnar format to assist the assurance practitioner to distinguish how an audit would differ from a review engagement. Where there are no differences that need to be highlighted, the columns have been merged. Where the requirements differ, the audit and review columns have been separated.

## Importance of a concurrent assurance approach

18. This guidance is applicable when an assurance practitioner is engaged to audit or review the performance report of a Tier 3 NFP PBE. In order to conduct an efficient audit or review, the assurance practitioner generally applies a concurrent assurance approach to the financial information, the entity information and the SSP. The assurance practitioner considers the potential for concurrent work and plans accordingly. Hereinafter this is referred to as the concurrent “audit” or concurrent “review”.
19. This guidance explains how to apply the requirements in ISAE (NZ) 3000 (Revised) to the entity information and the SSP within each of the following phases of the audit or review of the performance report, concurrently with the ISAs (NZ) or ISRE (NZ) 2400 (Revised), as an integral part of the audit or review of the performance report, highlighting areas of potential concurrent work as well as additional considerations as a result of the inclusion of the entity information and SSP within the performance report:

<sup>12</sup> ISRE (NZ) 2400 (Revised) *Review of Historical Financial Statements Performed by an Assurance Practitioner*

Accepting

Planning

Performing

Reporting

## Scope

20. This guidance applies to NFP PBEs that are eligible for, and elect to apply, the Tier 3 simple format requirements, *Public Benefit Entity Simple Format Reporting- Accrual (Not-For-Profit)*.
21. This guidance may also be helpful where a Tier 1 or Tier 2 NFP PBE entity elects to report service performance information, but would need to be adapted and supplemented as necessary in the engagement circumstances.
22. This guidance **excludes** the audit of service performance reports of public sector entities. Auditors of public entities are required to follow the Auditor-General's Auditing Standard 4 (Revised) *The Audit of Service Performance Reports* when auditing service performance reports.

## Guidance on the audit or review of the performance report of Tier 3 Not-For-Profit public benefit entities

ISAE (NZ) 3000 (Revised) Requirements	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP
<b>Definitions</b>	<p>23. The following terms are defined as follows for the purposes of this guidance:</p> <p><b>Criteria:</b> The benchmarks used to measure or report the service performance. The NZASB standard <i>Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit)</i> describes two elements of service performance reporting including outcomes and outputs.</p> <p><b>Comparability:</b> Users are able to compare what the entity did this year with what the entity did last year. Users might also want to see how the entity performed compared to similar entities in the same sector this year.</p> <p><b>Outcomes:</b> What the entity is seeking to achieve in terms of its impact on society.</p> <p><b>Outputs:</b> The goods or services that the entity delivered during the year.</p> <p><b>Performance report:</b> A set of statements which collectively tell the story of the entity over the financial year. This includes the entity information, statement of service performance, statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies, and notes to the performance report.</p> <p><b>Relevance:</b> The information can be used to assess the entity’s performance</p> <p><b>Reliability:</b> The information represents what has happened in a way that most users would see as a fair representation of the situation, with no bias.</p> <p><b>Service performance:</b> Refers to the entity’s delivery of goods and services with the intention of having an impact on society or segments of society.</p> <p><b>Service performance information:</b> Information required in addition to the financial statements to be useful for accountability and decision-making purposes because public benefit entities have a primary objective of providing goods and services for community or social benefit.</p>	

ISAE (NZ) 3000 (Revised) Requirements	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP
	<p><b>Statement of service performance:</b> A statement that provides information on the outputs delivered by the entity during the financial year, and the outcomes those outputs contribute to. It is particularly useful in the Not-For-Profit sector when the focus is on achieving outcomes, rather than making a profit. The information in this statement is predominantly non-financial, but still involves measurement.</p> <p><b>Understandability:</b> Information is presented so that users can identify the main points of the entity’s performance in that year and ask questions about that. Users should not have to be a qualified accountant to do this.</p>	
<p><b>Objective:</b></p> <p>To obtain either reasonable or limited assurance, as appropriate, about whether the subject matter information is free from material misstatement. (Ref. Para 10(a))</p> <p>To express a conclusion regarding the outcome of the measurement or evaluation of the underlying subject matter through a written report that</p>	<p><b>Audit</b> = Reasonable assurance engagement</p> <p><b>Objective of the concurrent audit engagement:</b></p> <p>24. To form a conclusion about whether the entity information, the SSP and financial information included in the performance report are fairly stated in accordance with the accounting requirements, to enable an opinion to be expressed on whether the overall performance report is fairly stated, in all material respects. Whilst the objective of the engagement is to form a conclusion about the performance report, this guidance highlights those additional factors not covered by the ISAs (NZ) relevant to the entity information and the SSP to consider when the auditor is concurrently auditing the entity information, the SSP and the financial information.</p>	<p><b>Review</b> = limited assurance engagement</p> <p><b>Objective of the concurrent review engagement:</b></p> <p>26. To form a conclusion whether based on the procedures performed, nothing has come to the assurance practitioner’s attention that causes the assurance practitioner to believe that the entity information, the SSP and financial information are not fairly stated in accordance with the accounting requirements, to enable a conclusion to be expressed that nothing has come to the assurance practitioner’s attention that the overall performance report is not fairly stated, in all material respects. This guidance highlights those additional factors not covered by ISRE (NZ) 2400 (Revised) relevant to the entity information and the SSP to consider when the assurance practitioner is concurrently reviewing the entity information, the SSP and the financial information.</p>

<b>ISAE (NZ) 3000 (Revised) Requirements</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP</b>
<p>conveys either a reasonable or limited assurance conclusion and describes the basis for the conclusion. (Ref. Para 10(b))</p>	<p>25. The auditor is to obtain reasonable assurance in assessing whether the entity information and the SSP:</p> <ul style="list-style-type: none"> <li>• include suitable outcomes, outputs, and quantification of the outputs to the extent practicable;</li> <li>• include the required information,</li> <li>• contain no material errors (including omissions) that could be reasonably expected to influence decisions of users based on the information provided,</li> <li>• are materially consistent with the financial information included in the performance report, and</li> <li>• achieve the goals of relevance, reliability, comparability and understandability.</li> </ul>	<p>27. The assurance practitioner is to obtain limited assurance in assessing whether the entity information and the SSP:</p> <ul style="list-style-type: none"> <li>• include suitable outcomes, outputs and quantification of the outputs to the extent practicable;</li> <li>• include the required information,</li> <li>• contain no material errors (including omissions) that could be reasonably expected to influence decisions of users based on the information provided,</li> <li>• are materially consistent with the financial information included in the performance report, and</li> <li>• achieve the goals of relevance, reliability, comparability and understandability.</li> </ul>
<b>Accepting</b>		
<p><b>Ethical requirements</b></p> <p>The assurance practitioner shall comply with Professional and</p>	<p>28. The ethical requirements are the same for the audit or review of the financial information, the entity information and the SSP. There are no additional requirements to apply in respect of the entity information and the SSP.</p>	

<b>ISAE (NZ) 3000 (Revised) Requirements</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP</b>
Ethical Standard 1 or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. (Ref. Para. 20)		
<b>Acceptance and Continuance (Ref. Para. 21-30)</b>	<p>29. The auditor is engaged to audit the performance report.</p> <p>30. Similar procedures are required by ISA (NZ) 220<sup>13</sup> and ISAE (NZ) 3000 (Revised) regarding the acceptance and continuance of client relationships and engagements, and there are no additional requirements to apply with regard to the entity information and the SSP, other than to include that information in the overall consideration, and to document it.</p>	<p>31. The assurance practitioner is engaged to review the performance report.</p> <p>32. Similar procedures are required by ISRE (NZ) 2400 (Revised) and ISAE (NZ) 3000 (Revised) regarding the acceptance and continuance of client relationships and engagements, and there are no additional requirements to apply with regard to the entity information and the SSP, other than to include that information in the overall consideration, and to document it.</p>
<b>Pre-conditions for the assurance engagement</b>  Par 24 requires the	<p>33. The accounting standard requires the entity to prepare the Performance Report in accordance with the criteria set out in para A10: Relevance, reliability, comparability, understandability. The definition of reliability in the accounting standard encompasses completeness and neutrality. These criteria exhibit the characteristics required under ISAE (NZ) 3000 (Revised) regarding suitable criteria.</p>	

<sup>13</sup> ISA (NZ) 220 *Quality Control for an Audit of Financial Statements*



<b>ISAE (NZ) 3000 (Revised) Requirements</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP</b>
<p>assurance practitioner to establish if the pre-conditions for an assurance engagement are present when considering the acceptance and continuance of the engagement. This includes considering whether the underlying subject matter is appropriate, and that the criteria expected to be applied in the preparation of the subject matter information are suitable, and exhibit the following characteristics: Relevance, Completeness, reliability, neutrality and</p>	<p>34. The entity will identify outcomes and outputs to reflect the service performance of the entity, and quantification of the outputs to the extent practicable. The accounting standard requires that the statement of service performance need include only the outputs that are significant to the performance of the entity. It is not expected to include a detailed account of everything the entity does.</p> <p>35. The assurance practitioner should consider the suitability of the identified outcomes, outputs and quantification of the outputs to the extent practicable, identified by the entity to determine whether they meet the qualitative characteristics described by the accounting standard as early as possible within the engagement.</p> <p>36. If the assurance practitioner considers that the identified outcomes, outputs or quantification of the outputs are unsuitable, the assurance practitioner should discuss the matter with those charged with governance and agree on suitable outcomes, outputs or quantification of the outputs prior to continuing the engagement. If unable to agree on suitable outcomes, outputs or quantification of the outputs, the assurance practitioner would not withdraw from the audit or review of the performance report but would issue a modified conclusion on the SSP, either qualified or a disclaimer depending on the extent of the unsuitable outcomes, outputs or quantification of the outputs. (Ref. para: 63- 70 of this guidance).</p>	

<b>ISAE (NZ) 3000 (Revised) Requirements</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP</b>
understandability. (Ref. Para. 24-25)		
<p><b><i>Agreeing on the terms of the engagement</i></b></p> <p>The assurance practitioner is required to agree the terms of the engagement</p> <ul style="list-style-type: none"> <li>• In writing</li> <li>• Sufficient detail</li> <li>• Responsibilities of both the responsible party and the assurance practitioner</li> </ul> <p>(Ref. Para. 27-28)</p>	<p>37. When agreeing the terms of the engagement of the performance report, in keeping with the concurrent assurance approach, the agreed terms should include all elements of the performance report in one engagement letter. In addition to the information required by ISA (NZ) 210<sup>14</sup> (for an audit engagement) or ISRE (NZ) 2400 (Revised) (for a review engagement) in respect of the financial information, the assurance practitioner needs to communicate in writing the agreed terms of the engagement in respect of the entity information and the SSP.</p> <p>38. The assurance practitioner should obtain agreement that those charged with governance acknowledge and understands their responsibility for:</p> <ul style="list-style-type: none"> <li>• identifying outcomes and outputs, and quantifying the outputs to the extent practicable, that are relevant, reliable, comparable and understandable, to report the service performance of the entity; and</li> <li>• the preparation and fair presentation of the entity information and statement of service performance.</li> </ul> <p>39. A sample engagement letter is available in Appendix 1 that covers the agreed terms of the engagement of the performance report.</p>	
<p><b>Quality Control Requirements</b></p> <ul style="list-style-type: none"> <li>• Organisation applies PES 3</li> </ul>	<p>40. The quality control requirements in ISAE (NZ) 3000 (Revised) are the same as those for the audit of the financial information under the ISAs (NZ), and the review of the financial information under ISRE (NZ) 2400 (Revised), i.e. be a member of a firm that applies Professional and Ethical Standard 3 (Amended) and comply with the quality control</p>	

<sup>14</sup> ISA (NZ) 210 *Agreeing the Terms of Audit Engagements*

<b>ISAE (NZ) 3000 (Revised) Requirements</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP</b>
<p>(Amended) or requirements at least as demanding</p> <ul style="list-style-type: none"> <li>• Competence in assurance skills and techniques</li> <li>• Competence to accept responsibility for assurance conclusion on subject matter</li> </ul> <p>(Ref. Para. 31-36)</p>	<p>requirements at the engagement level as set out in ISA (NZ) 220 and ISRE (NZ) 2400 (Revised).</p> <p>41. There are no additional requirements to apply in performing the audit or review engagement on the entity information and the SSP.</p>	
<b>Planning</b>		
<p><b>Planning</b></p> <p>ISAE (NZ) 3000 (Revised) requires the assurance practitioner to plan the engagement so that it will be performed in an effective manner.</p>	<p>42. The planning activities on the entity information and the SSP should be conducted at the same time as the planning of the audit or review of the financial information, which is required to be performed in accordance with ISA (NZ) 300<sup>15</sup> for an audit, or ISRE (NZ) 2400 (Revised) for a review engagement.</p> <p>43. The audit/assurance plan and strategy required to be developed should include determining the nature, timing and extent of planned procedures to be performed over <u>all components of the performance report</u> so that it will be performed in an effective manner, in order to achieve the overall objective of the engagement.</p> <p>44. Planning activities are required to <u>include</u> determining the nature, timing and extent of the planned procedures to be performed over the entity information and the SSP, i.e. on the entity’s outcomes and outputs reported, and any optional</p>	

<sup>15</sup> ISA (NZ) 300 *Planning an Audit of Financial Statements*

ISAE (NZ) 3000 (Revised) Requirements	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP
(Ref. Para. 40-47)	<p>additional information the entity chose to report in the SSP (refer paragraphs A43-A44 in Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit)).</p> <p>45. In planning the nature, timing and extent of planned procedures to be performed over the entity information and the SSP, in order to conclude whether that information is fairly stated in all material respects, the assurance practitioner needs to consider the qualitative characteristics of the information reported in the entity information and the SSP, i.e. the accounting standard requirement for the information to be relevant, reliable, comparable and understandable.</p>	
<p><b>Consider Materiality</b></p> <p>The assurance practitioner is required to consider materiality when:</p> <ul style="list-style-type: none"> <li>• Planning and performing the assurance engagement, including when determining the nature, timing and extent of procedures; and</li> <li>• Evaluating whether the</li> </ul>	<p>46. The assurance practitioner needs to determine materiality for purposes of assessing the risk of material misstatement and determining the nature and timing and extent of further procedures on the entity information and the SSP. The basis and level may differ from the basis and level for determining performance materiality under ISA (NZ) 320<sup>16</sup> or ISRE (NZ) 2400 (Revised).</p> <p>47. The assurance practitioner needs to establish a level of planning materiality that will be applied in determining those outcomes and outputs and entity information that are of interest. The level of materiality should be based on the assurance practitioner’s judgement about the size of the misstatements that are likely to influence users’ overall understanding of the entity, what the entity seeks to achieve (outcomes) and what the entity did during the year in providing goods or services.</p> <p>48. In the context of the entity information and the SSP, materiality refers not only to a material misstatement or omission in reporting but also to the relevance and significance of an issue to the entity and to the users of the performance report. Material issues are the issues that are taken into account when the entity or its stakeholders (for example funders, members) make decisions.</p>	

<sup>16</sup> ISA (NZ) 320 *Materiality in Planning and Performing an Audit*

<b>ISAE (NZ) 3000 (Revised) Requirements</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP</b>
<p>subject matter information is free from material misstatement. (Ref. Para. 44)</p>		
<p><b>Understanding the underlying subject matter</b></p> <p>Including making enquiries about:</p> <ul style="list-style-type: none"> <li>• fraud or noncompliance with laws and regulations</li> <li>• internal audit function</li> <li>• use of experts (Ref. Para. 45-47)</li> </ul>	<p>49. The assurance practitioner needs to obtain an understanding of the nature and purpose of the entity, its performance priorities, what the entity is seeking to achieve, and what it does, in addition to the requirements relating to obtaining an understanding of the entity as set out in ISA (NZ) 315<sup>17</sup> for an audit and ISRE (NZ) 2400 (Revised) for a review.</p> <p>50. The assurance practitioner also needs to obtain an understanding of how:</p> <ul style="list-style-type: none"> <li>• the entity determined which outputs and outcomes to report to describe its service performance and whether those outputs are those that are significant to the service performance of the entity;</li> <li>• the entity determined how to quantify the outputs to the extent practicable;</li> <li>• the entity assesses its information needs for the purposes of management decision making and accountability.</li> </ul>	
	<p>51. The auditor needs to obtain an understanding of the systems, processes and controls that capture, record and monitor the required entity information and service performance information, which is most likely to consist of output information, i.e. what the entity did during the year in providing goods and services.</p> <p>52. Smaller entities may use less structured means and simpler processes and procedures. Evidence of the control environment may not be in documented form, and may be</p>	<p>53. The assurance practitioner needs to obtain an understanding of the process used to prepare the entity information and the SSP, which is most likely to consist of output information, i.e. what the entity did during the year in providing goods and services.</p>

<sup>17</sup> ISA (NZ) 315 *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment*

<b>ISAE (NZ) 3000 (Revised) Requirements</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP</b>
	<p>informal. The attitudes, awareness and actions of management are of particular importance to the auditor's understanding of a smaller entity's control environment. Small entities with active management involvement may not need extensive descriptions of procedures, sophisticated records or written policies. Gaining an understanding may be more dependent on enquiry than on review of documentation. The need to obtain an understanding, however remains important.</p>	
<b>Performing</b>		
<p><b><i>Risk consideration and responses to risk</i></b></p> <ul style="list-style-type: none"> <li>• Identify <u>and assess the risks</u> of material misstatement</li> <li>• Design and Perform procedures to respond to assessed risks,</li> </ul>	<p>54. In addition to considering the risk and responses to risk in the financial information in accordance with ISA (NZ) 330<sup>18</sup>, the auditor needs to identify and assess the risks of material misstatements in the entity information and the SSP, and design and perform procedures to respond to the assessed risks.</p> <p>55. Obtaining an understanding of the internal controls operating over the recording and monitoring of the entity information and the SSP will assist the auditor in determining what type of misstatements are likely to occur in the output information being reported.</p>	<p>58. In addition to considering the risk and responses to areas in the financial information in accordance with ISRE (NZ) 2400 (Revised), the assurance practitioner needs to identify areas where a material misstatement is likely to arise in the entity information and the SSP, and design and perform procedures to address the areas identified.</p> <p>59. The assurance practitioner needs to consider the potential misstatements in respect of the recognition, measurement and disclosure of the entity information and the SSP, as well as the qualitative characteristics.</p>

<sup>18</sup> ISA (NZ) 330 *The Auditor's Responses to Assessed Risks*

ISAE (NZ) 3000 (Revised) Requirements	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP
<p>including testing controls if controls reliance approach.</p> <ul style="list-style-type: none"> <li>• Modify planned procedures if risk assessment is revised.</li> </ul> <p>(Ref. Para. 48-49)</p>	<p>56. In some instances, there may not be many control activities that could be identified by the auditor, or the extent to which their existence or operation have been documented by the entity may be limited. In such cases, it may be more efficient for the auditor to perform further audit procedures that are primarily substantive procedures. In some rare cases, the absence of control activities or of other components of control may make it impossible to obtain sufficient appropriate audit evidence.</p> <p>57. The auditor needs to consider the potential misstatements in respect of the recognition, measurement and disclosure of the entity information and the SSP, as well as the qualitative characteristics.</p>	
	<p><b><i>Qualitative characteristics of the entity information and the SSP</i></b></p> <p>60. To achieve fair presentation of the entity information and the SSP, the entity is required to present information in the best way to achieve the following goals<sup>19</sup>:</p> <ul style="list-style-type: none"> <li>(i) Relevance</li> <li>(ii) Reliability</li> <li>(iii) Comparability</li> <li>(iv) Understandability</li> </ul> <p>61. Therefore, as part of forming a conclusion, the assurance practitioner will need to assess whether the entity information, reported outcomes and outputs are fairly stated in accordance with the qualitative characteristics in <i>Public Benefit Entity</i></p>	

<sup>19</sup> Public Benefit Entity Simple Format Reporting-Accrual (Not-For-Profit), Par A10.

ISAE (NZ) 3000 (Revised) Requirements	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP
	<p><i>Simple Format Reporting- Accrual (Not-For-Profit)</i> (that is <b>relevant, reliable, comparable</b> and <b>understandable</b>).</p> <p>62. The assurance practitioner is not expected to have expert knowledge about the entity and to form a conclusion about what outcomes or outputs should be reported. It is the entity’s role to determine what information to report, and for the assurance practitioner to consider the process and rationale the entity applied in arriving at the selection of information to report, and to use professional judgement to assess whether the reported information presents fairly, in all material respects the entity information and service performance of the entity.</p> <p>63. The assurance practitioner will need to use professional judgement to determine whether a disagreement about what the entity selected to report would result in the assurance practitioner raising management letter points or would impact on the assurance conclusion. Management letter points could highlight where the entity can improve the presentation to better achieve the goals set out in the accounting standard but need not modify the conclusion. The assurance practitioner will consider what the entity selected to report and the explanation or rationale for the selection and how it meets the accounting requirements. However, management letter points are not a substitute for modifying the conclusion. Where the practitioner raises management letter points but does not modify the conclusion, the practitioner should document the reason why the points raised do not result in a modified opinion.</p> <p>64. Determining whether the entity information is fairly presented should be relatively straightforward as the required information is factual and should be easily verifiable.</p> <p>65. Determining the extent to which the outcome and output information in the SSP fairly presents the service performance of the entity will involve considering the various components of the reported service performance information, including relevant contextual information (for example the entity’s mission statement and strategic objectives), and checking for credible links, internal logic and consistency. It is important that information in the SSP is consistent with financial information included elsewhere in the performance report.</p> <p>66. To be relevant, the SSP should be able to be used to help to assess the entity’s service performance. The assurance practitioner should consider whether the information in the SSP is relevant by considering if it is:</p> <ul style="list-style-type: none"> <li>• presented within the context of the entity’s strategic objective (i.e. what the entity is trying to achieve, and what the entity did during the year);</li> <li>• significant to the service performance of the entity;</li> </ul>	



ISAE (NZ) 3000 (Revised) Requirements	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP
	<ul style="list-style-type: none"> <li>• consistent with the financial information (for example significant areas of expenditure).</li> </ul> <p>67. To be reliable the information should be represented without bias, and should be able to represent what has happened in a way that most users would see as a fair presentation of the situation. The assurance practitioner should consider whether the information in the SSP is reliable by considering if:</p> <ul style="list-style-type: none"> <li>• The outputs are measurable</li> <li>• It is free from material error</li> <li>• It is complete (i.e. cover the significant activities with suitable emphasis to fairly reflect their significance to the entity’s service performance.)</li> </ul> <p>68. To be comparable the SSP information should be presented to allow users to identify similarities and differences, and to track progress across different reporting periods, and to identify trends.</p> <p>69. To be understandable the information needs to be presented so that users can identify the main points of the entity’s service performance in that year and ask questions about it. The assurance practitioner should consider whether the SSP information is clear and concise, and easy to read.</p> <p>70. Should the assurance practitioner conclude that the outcomes and outputs that the entity selected to report are not suitable and do not meet the presentation goals of relevance, reliability, comparability or understandability (i.e. does not achieve the fair presentation goals as required by the accounting standard) the assurance practitioner should:</p> <ul style="list-style-type: none"> <li>• Discuss with management if meaningful changes can be made.</li> <li>• If changes cannot be made for the current period, and if material, consider modifying the conclusion in respect of the SSP element of the performance report (refer to guidance in paras 91 to 93 below on forming the assurance conclusion, and to the Decision tree for the audit/review of the SSP included on page 4 of the guidance). Appendix 4 provides illustrations of modified conclusions.</li> <li>• Perform no further work in verifying the output information when the assurance practitioner concludes that the information reported in the SSP does not meet the presentation goals of relevance, reliability, comparability and understandability.</li> <li>• Reflect the lessons learned in a report to management on how to improve the presentation goals of relevance, reliability, comparability and understanding of the information reported in the SSP for the following year</li> </ul>	

ISAE (NZ) 3000 (Revised) Requirements	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP
	<p><i>Obtaining audit evidence</i></p> <p>71. The mix of procedures to be performed may vary compared with the mix used in regard to the financial information, but the nature of the entity information and the information in the SSP does not alter the level of evidence required.</p>	
	<p>72. Procedures that may be applied to gain the required level of reasonable assurance include:</p> <ul style="list-style-type: none"> <li>• Testing and evaluating the systems, processes and controls that capture, record, analyse and monitor the information;</li> <li>• Performing analytical review procedures on the information, and</li> <li>• Performing other substantive or re-performance tests.</li> </ul> <p>73. The quality of the systems used to record and control results, and the nature and quality of evidence available about the reported measures, may have an effect on the mix of tests used. For instance, weak recording or information systems may force the auditor to use primarily substantive procedures rather than a systems based approach. In some rare cases, the absence of control activities or of other components of control may make it impossible to obtain sufficient appropriate audit evidence.</p>	<p>74. The practitioner chooses a combination of procedures to gain the required level of limited assurance including performing enquiry and analytical review procedures</p> <p>75. The nature of the information reported and the quality of evidence available about the reported measures, may have an effect on the mix of procedures used. The assurance practitioner uses professional judgement to determine if procedures including inspection, observation, confirmation, re-calculation and re-performance should be performed.</p>

<b>ISAE (NZ) 3000 (Revised) Requirements</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP</b>
<b>Work performed by an Assurance Practitioner's Expert</b> (Ref. Para. 52)	76. The requirements in ISAE (NZ) 3000 (Revised) when the work of an assurance practitioner's expert is used on the entity information or the SSP is similar to the considerations as set out in ISA (NZ) 620 <sup>20</sup> and ISRE (NZ) 2400 (Revised) in respect of use of an expert, where necessary, that apply to the financial information in the performance report. It includes evaluating whether the expert has the necessary competence, capabilities and objectivity for the purpose of the engagement. The nature of the type of expert required may be different to the experts generally used for an audit or review of the financial statements, and information regarding the competence of the expert may come from a variety of sources, including membership of an appropriate membership body or industry association, license to practice, published papers or books written by that expert or other forms of external recognition. Refer to paragraphs A120 to A134 in ISAE (NZ) 3000 (Revised) for further guidance where the work of an assurance practitioner's expert is used on the entity information or the SSP.	
<b>Entity's expert or an Internal Auditor</b> (Ref. Para. 53-55)	77. The requirements in ISAE (NZ) 3000 (Revised) in respect of the use of the work of an entity's expert or internal auditors on the entity information or SSP are similar to those in ISA (NZ) 610 (Revised) <sup>21</sup> and ISRE (NZ) 2400 (Revised) in respect of the use of internal auditors and in ISA (NZ) 50022 and ISRE (NZ) 2400 (Revised) on the use of an entity's expert that apply to the financial information. It includes evaluating the objectivity of the internal auditors, their level of competence, the approach applied and whether the work is adequate for the purpose of the engagement.	
<b>Written representations</b>  The assurance practitioner is required to obtain a	78. The written representation obtained from those charged with governance should be in respect of the performance report, and should include all required representations from those charged with governance in respect of the financial information as set out in the ISA (NZ) 580 <sup>23</sup> and ISRE (NZ) 2400 (Revised), and should also cover the entity information and the SSP. The written representation in respect of a performance report should include that those charged with governance: <ul style="list-style-type: none"> <li>• have provided all information of which they are aware that is relevant to the engagement;</li> </ul>	

<sup>20</sup> ISA (NZ) 620 *Using the Work of an Auditor's Expert*

<sup>21</sup> ISA (NZ) 610 (Revised) *Using the Work of Internal Auditors*

<sup>22</sup> ISA (NZ) 500 *Audit Evidence*, para 8(c)

<sup>23</sup> ISA (NZ) 580 *Written Representations*

ISAE (NZ) 3000 (Revised) Requirements	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP
<p>written representation from the appropriate party:</p> <ul style="list-style-type: none"> <li>• that it has provided the assurance practitioner with all relevant information</li> <li>• confirming the measurement or evaluation of the underlying subject matter against the applicable criteria, including that all relevant matters are reflected in the subject matter information</li> <li>• about any other matter to support other</li> </ul>	<ul style="list-style-type: none"> <li>• Acknowledges their responsibility on behalf of the entity for selecting outcomes and outputs to report, including ways to quantify those outputs, where practicable;</li> <li>• Have fulfilled their responsibilities on behalf of the entity for the preparation and fair presentation of the entity information and SSP.</li> </ul> <p>79. An illustrative representation letter is available in Appendix 2 that includes written representations required for the audit or review of a performance report.</p>	

<b>ISAE (NZ) 3000 (Revised) Requirements</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP</b>
evidence relative to the subject matter (Ref. Para. 56-60)		
<b>Subsequent events</b> (Ref. Para. 61)	80. Similar considerations that apply to the financial information as set out in ISA (NZ) 560 <sup>24</sup> and ISRE (NZ) 2400 apply to the entity information and the SSP. When considering subsequent events, the assurance practitioner should consider the impact of subsequent events on all the information in the performance report.	
<b>Other Information</b>  The assurance practitioner is required to read the other information to identify material inconsistencies. If the assurance practitioner becomes aware of a material inconsistency or a material misstatement of fact in the other information, the	81. Similar considerations that apply to the financial information as set out in ISA (NZ) 720 <sup>25</sup> also apply to the entity information and the SSP.  82. When considering other information included in a report containing the audited performance report the auditor should consider if there are material inconsistencies between the other information and the information in the performance report.	83. ISRE (NZ) 2400 (Revised) does not require any consideration of other information included in a report with a performance report that has been reviewed. However, this is a requirement of ISAE (NZ) 3000 (Revised), and the assurance practitioner should read the other information to identify material inconsistencies.  84. When considering other information included in a report containing the reviewed performance report the assurance practitioner should consider if there are material inconsistencies between the other information and the information in the performance report.

<sup>24</sup> ISA (NZ) 560 *Subsequent Events*

<sup>25</sup> ISA (NZ) 720 *The Auditor's Responsibility to Other Information in Documents Containing Audited Financial Statements*

<b>ISAE (NZ) 3000 (Revised) Requirements</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP</b>
assurance practitioner shall inform the appropriate parties and take further action as appropriate. (Ref. Para. 62)		
<b>Description of applicable criteria</b>  The assurance practitioner is required to evaluate whether the subject matter information adequately refers to or describes the applicable criteria. (Ref. Para. 63)	<p>85. The assurance practitioner is required to evaluate whether the performance report adequately refers to or describes the accounting standard applied in the preparation of the performance report.</p> <p>86. The accounting standard requires disclosure of the standard applied in preparing the performance report in the Basis of Preparation under the Statement of Accounting Policies. If the disclosure requirements in the accounting standard are complied with, the ISAE (NZ) 3000 (Revised) requirement will be met.</p>	
<b>Reporting</b>		
<b>Forming the assurance conclusion</b>  The assurance practitioner is	<p>87. Based on the evidence obtained the assurance practitioner needs to evaluate whether the performance report, is fairly presented, in all material respects, in accordance with the requirements of the accounting standard. This includes considering the relevance, reliability, comparability and understandability of the information, as well as the results of the verification of the information.</p> <p>88. In forming the assurance conclusion on the entity information and the SSP, the assurance practitioner should consider the performance report as a whole for the purpose of determining whether the presentation goals are achieved. Specific regard</p>	

<b>ISAE (NZ) 3000 (Revised) Requirements</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP</b>
<p>required to:</p> <ul style="list-style-type: none"> <li>• evaluate the sufficiency and appropriateness of the evidence obtained;</li> <li>• form a conclusion about whether the subject matter is free from material misstatement;</li> <li>• express a qualified conclusion, disclaim a conclusion or withdraw from the engagement if a scope limitation exists.</li> </ul> <p>(Ref. Para. 64-66)</p>	<p>needs to be given to:</p> <ul style="list-style-type: none"> <li>• the relevance, reliability, comparability and understandability of the outcomes and outputs selected by the entity for reporting, and to any additional output measures attached to those outputs that the entity decided to report.</li> </ul>	
	<p>89. The reporting of the entity information and the SSP will be fairly stated, if:</p> <ul style="list-style-type: none"> <li>• Material output information is included;</li> <li>• Material output information satisfies the qualities of relevance, reliability, comparability and understandability; and</li> <li>• Results reported can be substantiated for material outputs, for example the systems/processes for recording/controlling the information are sufficient.</li> </ul>	<p>90. The reporting of the entity information and the SSP will be fairly stated, if</p> <ul style="list-style-type: none"> <li>• Material output information appears to be included;</li> <li>• Material output information appears to satisfy the qualities of relevance, reliability, comparability and understandability; and</li> <li>• Results reported for material outputs appears reasonable.</li> </ul>
	<p>91. In those circumstances where the assurance practitioner concludes that the entity information or the SSP is not fairly stated and that the assurance conclusion should be modified, the assurance practitioner will need to exercise professional judgement to determine whether to issue a modified conclusion on just the entity information or the SSP or whether to modify the conclusion on the overall performance report. Factors to consider include whether the underlying reason for the modification on the entity information or the SSP has any impact on the financial information reported. In many instances, a modified conclusion in respect of the entity information or the SSP will not impact upon the conclusion on the financial information.</p> <p>92. The assurance practitioner will also need to consider the results of the audit/review on the financial information included in the performance report, and the impact on the SSP where a modified conclusion has been reached on the audit/review of the financial information.</p> <p>93. The assurance practitioner will need to apply professional judgement in determining whether a modified conclusion on the financial information may cause the entity information or the SSP to be materially misstated.</p>	

ISAE (NZ) 3000 (Revised) Requirements	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP
<p><b>Preparing the assurance report</b> (Ref. Para. 67-69)</p>	<p>94. The requirements for reporting on the entity information and the SSP is similar to the basic elements required by ISA (NZ) 70026 for the financial information.</p> <p>95. In preparing the audit report the auditor is required to express an opinion on whether:</p> <ul style="list-style-type: none"> <li>• The reported outcomes, outputs and quantification of the outputs to the extent practicable are suitable;</li> <li>• The: <ul style="list-style-type: none"> <li>○ entity information;</li> <li>○ SSP; and</li> <li>○ financial position, the financial performance and cash flows</li> </ul> are fairly stated in accordance with Public Benefit Entity Simple Format Reporting– Accrual (Not-For-Profit).</li> </ul> <p>96. In addition to the references to the financial information as required by ISA (NZ) 700:</p> <ul style="list-style-type: none"> <li>• the opinion section of the audit report needs to state that the entity information and the SSP has been audited.</li> <li>• The basis of opinion needs to state that the audit of the entity information and the SSP was conducted in accordance with ISAE (NZ) 3000 (Revised)</li> </ul>	<p>100. The requirements for reporting on the entity information and the SSP is similar to the basic elements required by ISRE (NZ) 2400 (Revised) for the financial information.</p> <p>101. In preparing the review report the assurance practitioner is required to express a conclusion on whether, based on the procedures performed, nothing has come to the assurance practitioner’s attention that causes the assurance practitioner to believe that:</p> <ul style="list-style-type: none"> <li>• The reported outcomes, outputs and quantification methods used are not suitable;</li> <li>• the performance report does not present fairly, in all material respects the: <ul style="list-style-type: none"> <li>○ entity information</li> <li>○ SSP; and</li> <li>○ financial position, the financial performance and cash flows</li> </ul> in accordance with Public Benefit Entity Simple Format Reporting– Accrual (Not-For-Profit).</li> </ul> <p>102. In addition to the references to the financial information as required by ISRE (NZ) 2400 (Revised)</p> <ul style="list-style-type: none"> <li>• the conclusion section of the review report needs to state that the entity information and the SSP has</li> </ul>



ISAE (NZ) 3000 (Revised) Requirements	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP
	<p>97. The audit report should include a description of the responsibilities of those charged with governance, including that they are responsible for the selection of outcomes, outputs and quantification of the outputs to the extent practicable.</p> <p>98. The audit report should include a description of the auditor’s responsibilities, including that the audit involves procedures to obtain evidence about the suitability of the reported outcomes, outputs and quantification of the outputs to the extent practicable.</p> <p>99. An illustrative Auditor Report is available in Appendix 2 for use in the audit of the performance report.</p>	<p>been reviewed.</p> <ul style="list-style-type: none"> <li>The assurance practitioner’s responsibility needs to state that the review of the entity information and the SSP was conducted in accordance with ISAE (NZ) 3000 (Revised)</li> </ul> <p>103. The review report should include a description of the responsibilities of those charged with governance, including that they are responsible for the selection of outcomes, outputs and quantification of the outputs to the extent practicable.</p> <p>104. The review report should include a description of the assurance practitioner’s responsibilities, including that the review involves procedures to obtain evidence about the suitability of the reported outcomes, outputs and quantification of the outputs to the extent practicable.</p> <p>105. An illustrative Review Report is available in Appendix 2 for use in the review of the performance report.</p>
<p><b>Other communication responsibilities</b></p> <p>The assurance practitioner shall consider whether</p>	<p>106. In addition to matters to report on the financial information included in the performance report in accordance with ISA (NZ) 450<sup>27</sup>, the following matters in respect to the entity information and the SSP needs to be included in the report to management and those charged with governance:</p>	<p>107. In addition to matters to report on the financial information included in the performance report in accordance with ISRE (NZ) 2400 (Revised), the following matters in respect to the entity information and the SSP needs to be included in the report to management and those charged with governance:</p>

<sup>27</sup> ISA (NZ) 450 *Evaluation of Misstatements Identified during the Audit*

<b>ISAE (NZ) 3000 (Revised) Requirements</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP</b>	<b>Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP</b>
<p>there are any matters that need to be reported to those charged with governance or others in terms of the engagement and other engagement circumstances. (Ref. Para. 78)</p>	<ul style="list-style-type: none"> <li>• Any uncorrected misstatements identified during the audit of the entity information and the SSP included in the performance report;</li> <li>• Any issues with internal control that affected, or may have affected, the entity information and the SSP;</li> <li>• Any issues identified that may affect the relevance, reliability, comparability or understandability of the entity information and the information reported in the SSP;</li> <li>• Any other matters in respect of the entity information and the SSP that management or those charged with governance needs to be aware of.</li> </ul>	<ul style="list-style-type: none"> <li>• Any uncorrected misstatements identified during the review of the entity information and the SSP included in the performance report;</li> <li>• Any issues identified that may affect the relevance, reliability, comparability or understandability of the entity information and the information reported in the SSP;</li> <li>• Any other matters in respect of the entity information and the SSP that management or those charged with governance needs to be aware of.</li> </ul>
<p><b>Documentation</b> The assurance practitioner is required to prepare timely documentation that is sufficient and appropriate to enable an experienced practitioner to understand:</p> <ul style="list-style-type: none"> <li>• the results of the procedures performed,</li> </ul>	<p>108. The documentation requirements in ISAE (NZ) 3000 (Revised) are similar to the documentation requirements in ISA (NZ) 230<sup>28</sup> and ISRE (NZ) 2400 (Revised).</p>	

<sup>28</sup>

ISA (NZ) 230 *Audit Documentation*

ISAE (NZ) 3000 (Revised) Requirements	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with the ISAs (NZ) when performing an AUDIT of the performance report, specific to the entity information and SSP	Guidance on applying ISAE (NZ) 3000 (Revised) concurrently with ISRE (NZ) 2400 (Revised) when performing a REVIEW of the performance report, specific to the entity information and SSP
<ul style="list-style-type: none"> <li>• the evidence obtained,</li> <li>• significant matters arising, conclusions thereon, and significant professional judgements made (Ref. Para. 79-83))</li> </ul>		

## Illustrative Engagement Letters

### **Example 1: Illustrative Engagement Letter for the Audit of a Performance Report<sup>29</sup>**

The following is an example of an audit engagement letter for an audit of the performance report prepared in accordance with *Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit)*. This letter is not authoritative but is intended only to be a guide that may be used in conjunction with the considerations outlined in the ISAs (NZ) and ISAE (NZ) 3000 (Revised). It will need to be varied according to individual requirements and circumstances. The additional paragraphs added in respect of the entity information and SSP have been highlighted to clearly indicate how the engagement letter for the performance report differs from the engagement letter of an audit of financial statements performed in accordance with the ISAs (NZ).

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To the Chairperson<sup>30</sup>:

*[The objective and scope of the audit]*

You have requested that we audit the performance report of [Charity], which comprises entity information, a statement of service performance, a statement of financial performance, a statement of financial position, a statement of cash flows, a statement of accounting policies and notes to the performance report.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of our expressing an opinion on the performance report.

*[The responsibilities of the auditor]*

We will conduct our audit of the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)), and the audit of the entity information and the statement of service performance in accordance with the International Standard on Assurance Engagements (New Zealand) (ISAE (NZ)) 3000 (Revised). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the performance report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the performance report, including performing procedures to obtain evidence about and evaluating whether the reported outcomes and outputs, and quantification of the outputs to the extent practicable, are relevant, reliable, comparable and understandable. The procedures selected depend on the auditor's judgement, including the

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<sup>29</sup> The auditor is required to apply the ISAs (NZ) and ISAE (NZ) 3000 (Revised) where the auditor is engaged to audit the performance report, including the entity information and statement of service performance.

<sup>30</sup> The addressees and references in the letter would be those appropriate in the circumstances of the engagement. It is important to refer to the appropriate persons – refer to ISA (NZ) 210.

assessment of the risks of material misstatement of the performance report, whether due to fraud or error. An audit also includes, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the performance report.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (NZ) and ISAE (NZ) 3000 (Revised).

In making our risk assessments, we consider internal control relevant to the entity's preparation of the performance report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the performance report that we have identified during the audit.

*[The responsibilities of those charged with governance and identification of the applicable financial reporting framework]*

Our audit will be conducted on the basis that [those charged with governance] acknowledge and understand that they have responsibility:

- (a) For identifying outcomes and outputs, and quantifying the outputs to the extent practicable, that are relevant, reliable, comparable and understandable, to report in the statement of service performance;
- (b) For the preparation and fair presentation of the performance report on behalf of the entity comprising:
  - the entity information
  - the statement of service performance; and
  - the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report

in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit);

- (c) For such internal control as [they] determine is necessary to enable the preparation of the performance report that are free from material misstatement, whether due to fraud or error; and
- (d) To provide us with:
  - (i) Access to all information of which [management and those charged with governance] are aware that is relevant to the preparation of the performance report such as records, documentation and other matters;
  - (ii) Additional information that we may request from [management or the directors] for the purpose of the audit; and
  - (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from [those charged with governance], written

confirmation concerning representations made to us in connection with the audit.

We look forward to full cooperation from your staff during our audit.

*[Other relevant information]*

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

*[Reporting]*

*[Insert appropriate reference to the expected form and content of the auditor's report.]*

The form and content of our report may need to be amended in the light of our audit findings.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the **performance report** including our respective responsibilities.

[Governing body]

Acknowledged and agreed on behalf of the [Governing body] by

(signed)

.....

**Name and Title**

**Date**

## Example 2: Illustrative Engagement Letter for a Review of a Performance Report<sup>31</sup>

The following is an example of an engagement letter for a review of the performance report prepared in accordance with *Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit)*. This letter is not authoritative but is intended only to be a guide that may be used in conjunction with the considerations outlined in ISRE (NZ) 2400 (Revised) and ISAE (NZ) 3000 (Revised). It will need to be varied according to individual requirements and circumstances. The additional paragraphs added in respect of the entity information and SSP have been highlighted to clearly indicate how the engagement letter for the performance report differs from the engagement letter of a review of financial statements performed in accordance with ISRE (NZ) 2400 (Revised).

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To the appropriate representative of those charged with governance<sup>32</sup>:

*[The objective and scope of the review]*

You have requested that we review the performance report of [Charity], which comprises entity information, a statement of service performance, a statement of financial performance, a statement of financial position, a statement of cash flows, a statement of accounting policies and notes to the performance report.

We are pleased to confirm our acceptance and our understanding of this review engagement by means of this letter.

Our review will be conducted with the objective of our expressing our conclusion on the performance report. Our conclusion, if unmodified, will be in the form “Based on our review, nothing has come to our attention that causes us to believe that:

- a) the reported outcomes and outputs, and quantification of the outputs to the extent practicable, are not suitable;
- b) this performance report does not present fairly, in all material respects, (or does not give a true and fair view of):
  - the entity information for the year then ended;
  - its service performance for the year then ended; and
  - the financial position of ABC [entity] as at [DD MM 20XX], and (of) its financial performance and cash flows for the year then ended

in accordance with *Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit)*.

*[The assurance practitioner’s responsibilities]*

We will conduct our review of the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report in accordance with International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400 (Revised), *Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity* and the review of the entity

<sup>31</sup> The assurance practitioner is required to apply ISRE (NZ) 2400 and ISAE (NZ) 3000 (Revised) when engaged to review the performance report, including the entity and service performance information.

<sup>32</sup> The addressees and references in the letter would be those appropriate in the circumstances of the engagement. It is important to refer to the appropriate persons – refer to paragraph 36 of ISRE (NZ) 2400.

information and statement of service performance in accordance with the International Standard on Assurance Engagements (New Zealand) (ISAE (NZ)) 3000 (Revised). Those standards require us to conclude whether anything has come to our attention that causes us to believe that the performance report, taken as a whole, is not prepared in all material respects in accordance with the Public Benefit Entity Simple Format Reporting – Accrual (Not- For Profit). Those standards also require that we comply with ethical requirements.

A review of the performance report in accordance with ISRE (NZ) 2400 (Revised) and ISAE (NZ) 3000 (Revised) is a limited assurance engagement. We will perform procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material misstatement is likely to arise and includes performing procedures to obtain evidence about and evaluating whether the reported outcomes and outputs, and quantification of the outputs to the extent practicable, are relevant, reliable, comparable and understandable. We will also perform additional procedures if we become aware of matters that cause us to believe the performance report as a whole may be materially misstated. These procedures are performed to enable us to express our conclusion on the performance report in accordance with ISRE (NZ) 2400 (Revised) and ISAE (NZ) 3000 (Revised). The procedures selected will depend on what we consider necessary applying our professional judgement, based on our understanding of ABC Entity and its environment, and our understanding of Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) and its application in the industry context.

A review is not an audit of the performance report, therefore:

- (a) There is a commensurately higher risk than there would be in an audit, that any material misstatements that exist in the performance report reviewed may not be revealed by the review, even though the review is properly performed in accordance with ISRE (NZ) 2400 (Revised) and ISAE (NZ) 3000 (Revised).
- (b) In expressing our conclusion from the review of the performance report, our report on the performance report will expressly disclaim any audit opinion on the performance report.

*[The responsibilities of those charged with governance and identification of the applicable financial reporting framework]*

Our review will be conducted on the basis that [those charged with governance] acknowledge and understand that they have responsibility, on behalf of the entity:

- (a) For identifying outcomes and, outputs, and quantifying the outputs to the extent practicable, that are relevant, reliable, comparable and understandable to report in the statement of service performance;
- (b) For the preparation and fair presentation of the performance report on behalf of the entity comprising
  - the entity information
  - the statement of service performance; and
  - the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report

in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit);

- (c) For such internal control as [they] determine is necessary to enable the preparation of



the performance report that is free from material misstatement, whether due to fraud or error; and

- (d) To provide us with:
- (i) Access to all information of which [management and those charged with governance] are aware that is relevant to the preparation of the performance report such as records, documentation and other matters;
  - (ii) Additional information that we may request from [management or the directors] for the purpose of the review; and
  - (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our review, we will request from [those charged with governance], written confirmation concerning representations made to us in connection with the review.

We look forward to full cooperation from your staff during our review.

*[Other relevant information]*

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

*[Reporting]*

*[Insert appropriate reference to the expected form and content of the assurance practitioner's report.]*

The form and content of our report may need to be amended in the light of our findings obtained from the review.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our review of the performance report including our respective responsibilities.

[Governing body]

Acknowledged and agreed on behalf of the [Governing body] by

(signed)

.....

Name and Title

Date

## Illustrative Representation Letter

The following illustrative representation letter includes written representations that are required by ISAs (NZ) and ISAE (NZ) 3000 (Revised). This letter is not authoritative but is intended only to be a guide that may be used in conjunction with the considerations outlined in the ISAs (NZ) and ISAE (NZ) 3000 (Revised). It will need to be varied according to individual requirements and circumstances. The additional paragraphs added in respect of the entity information and SSP have been highlighted to clearly indicate how the representation letter for the performance report differs from the representation letter of an audit of financial statements performed in accordance with the ISAs (NZ).

(Entity Letterhead)

(To Auditor)

(Date)

This representation letter is provided in connection with your audit of the performance report of ABC [Charity] for the year ended [DD MM 20XX]<sup>33</sup> for the purpose of expressing an opinion as to whether:

- a) the reported outcomes and outputs, and quantification of the outputs to the extent practicable, in the statement of service performance are suitable;
- b) the performance report of ABC [Charity] complies with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) and gives a true and fair view of:
  - the entity information for the year then ended;
  - the service performance for the year then ended; and
  - the financial position as at [DD MM 20XX] and its financial performance and cash flows for the year then ended.

We confirm that, *(to the best of our knowledge and belief, having made such enquiries as we considered necessary for the purpose of appropriately informing ourselves)*:

### *Performance Report*

- We have identified outcomes and outputs, including quantifying the outputs to the extent practicable, that are relevant, reliable, comparable and understandable, for the evaluation of the service performance of the entity.
- We have fulfilled our responsibilities on behalf of the entity, as set out in the terms of the audit engagement dated [insert date], for the preparation of the performance report of ABC [Charity] in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) and that gives a fair presentation of:
  - the entity information for the year then ended;
  - the service performance for the year then ended; and
  - the financial position as at [DD MM 20XX] and its financial performance and cash flows for the year then ended.
- Significant assumptions used by us in making accounting estimates, including those

<sup>33</sup> Where the auditor reports on more than one period, the auditor adjusts the date so that the letter pertains to all periods covered by the auditor's report.

measured at fair value, are reasonable. (ISA (NZ) 540)

- Related party relationships and transactions have been appropriately accounted for and disclosed in the **performance report** in accordance with the requirements of the applicable financial reporting framework. (ISA (NZ) 550)
- All events subsequent to the date of the **performance report** which require adjustment or disclosure have been adjusted or disclosed. (ISA (NZ) 560)
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the **performance report** as a whole. A list of the uncorrected misstatements is attached to the representation letter. (ISA (NZ) 450)
- [Any other matters that the auditor may consider appropriate (see paragraph A10 of ISA (NZ) 580).]

#### *Information Provided*

- We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the **performance report** such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the **performance report**.
- We have disclosed to you the results of our assessment of the risk that the **performance report** may be materially misstated as a result of fraud. (ISA (NZ) 240)
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the **performance report**. (ISA (NZ) 240)
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's **performance report** communicated by employees, former employees, analysts, regulators or others. (ISA (NZ) 240)
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing a **performance report**. (ISA (NZ) 250)
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. (ISA (NZ) 550)
- [Any other matters that the auditor may consider necessary (see paragraph A11 of ISA (NZ) 580).]

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[Governing Body Representative]

[Governing Body Representative]

## Illustrative Assurance Reports

### Illustration 1: Illustrative Auditor's Report

Circumstances include the following:

- **Audit of a performance report prepared in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit).**
- **The terms of the audit engagement reflect the description of the responsibility of those charged with governance for performance report.**

The revised auditor reporting requirements have not been reflected in this illustration. The requirements of ISA (NZ) 700 (Revised) are required for audits of financial statements for periods ending on or after 15 December 2016, although early adoption is permitted.

The highlighted sections below illustrate where an auditor's report would be amended for the audit of a performance report including entity information and the statement of service performance. Reference should be made to ISA (NZ) 700 or other relevant ISAs (NZ) to ensure that the requirements of the ISAs (NZ) have been met.

### INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

#### **Report on the Performance Report**

We have audited the accompanying **performance report** of ABC [entity] on pages [x to xx] **which comprises the entity information, the statement of service performance,** the statement of financial performance and statement of cash flows for the year ended [DD MM 20XX], the statement of financial position as at [DD MM 20XX], and the statement of accounting policies and other explanatory information.

*The Responsibility of [the Trustees]<sup>34</sup> for the Performance Report*

[The Trustees] are responsible on behalf of the entity for:

- (a) **Identifying outcomes and outputs, and quantifying the outputs to the extent practicable, that are relevant, reliable, comparable and understandable, to report in the statement of service performance;**
- (b) **the preparation and fair presentation of the performance report which comprises:**
  - **the entity information;**
  - **the statement of service performance; and**
  - **the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report**

**in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) issued in New Zealand by the New Zealand Accounting Standards Board, and**

<sup>34</sup> Use the term that is appropriate in the context of the engagement.

- (c) for such internal control as [the Trustees] determine is necessary to enable the preparation of the **performance report** that is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the **performance report** based on our audit. We conducted our audit of the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to **the performance report** in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)), **and the audit of the entity information and statement of service performance in accordance with the International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised)**. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the **performance report** is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the **performance report**, including **performing procedures to obtain evidence about and evaluating whether the reported outcomes and outputs and quantification of the outputs to the extent practicable, are relevant, reliable, comparable and understandable**. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the **performance report**, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the **performance report** in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes, evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the **performance report**.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, ABC [entity].

### *Opinion*

In our opinion:

- a) **the reported outcomes and outputs, and quantification of the outputs to the extent practicable, in the statement of service performance are suitable;**
- b) **the performance report** on pages [x to xx] presents fairly, in all material respects, (*or gives a true and fair view of*):
  - **the entity information for the year then ended;**
  - **the service performance for the year then ended; and**
  - the financial position of ABC [entity] as at [DD MM 20XX], and its financial performance, and cash flows for the year then ended

**in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit).**

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

## **Illustration 2: Illustrative Review Report**

**Circumstances include the following:**

- **Review of a performance report prepared in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit).**
- **The terms of the review engagement reflect the description of the responsibility of those charged with governance for performance report.**

The highlighted sections below illustrate where an assurance practitioner’s report would be amended for the review of a performance report including entity information and the statement of service performance. Reference should be made to ISRE (NZ) 2400 (Revised) to ensure that the requirements of ISRE (NZ) 2400 (Revised) have been met.

## INDEPENDENT ASSURANCE PRACTITIONER’S REVIEW REPORT

[Appropriate Addressee]

### **Report on the Performance Report**

We have reviewed the accompanying **performance report** of ABC [entity] on pages [x to xx] which comprises **the entity information**, the statement of service performance, the statement of financial performance and statement of cash flows for the year ended [DD MM 20XX], the statement of financial position as at [DD MM 20XX], and the statement of accounting policies and other explanatory information.

*The Responsibility of [the Trustees]<sup>35</sup> for the Performance Report*

[The Trustees] are responsible on behalf of the entity for

- a) **Identifying outcomes and outputs, and quantifying the outputs to the extent practicable, that are relevant, reliable, comparable and understandable, to report in the statement of service performance;**
- b) **the preparation and fair presentation of the performance report which comprises:**
  - **the entity information**
  - **the statement of service performance; and**
  - **the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report**

**in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) issued in New Zealand by the New Zealand Accounting Standards Board, and**

- c) for such internal control as [the Trustees] determine is necessary to enable the preparation of the **performance report** that is free from material misstatement, whether due to fraud or error.

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<sup>35</sup> Use the term that is appropriate in the context of the engagement.

### *Assurance Practitioner's Responsibility*

Our responsibility is to express a conclusion on the **performance report**. We conducted our review of the statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report in accordance with International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400 (Revised), *Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity*, and the review of the entity information and statement of service performance in accordance with the International Standard on Assurance Engagements (New Zealand) ISAE (NZ) 3000 (Revised). Those standards require us to conclude whether anything has come to our attention that causes us to believe that the **performance report**, taken as a whole, is not prepared in all material respects in accordance with the Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit). Those standards also require that we comply with ethical requirements.

A review of the **performance report** in accordance with ISRE (NZ) 2400(Revised) and ISAE (NZ) 3000 (Revised) is a limited assurance engagement. We will perform procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures selected depend on our judgement, including the areas identified where a material misstatement is likely to arise and includes performing procedures to obtain evidence and evaluating whether the reported outcomes and outputs, and quantification of the outputs to the extent practicable, are relevant, reliable, comparable and understandable.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand) and ISAE (NZ) 3000 (Revised). Accordingly, we do not express an audit opinion on the **performance report**.

Other than in our capacity as assurance practitioner we have no relationship with, or interests in, ABC [entity].

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that:

- a) the reported outcomes and outputs, and quantification of the outputs to the extent practicable, are not suitable;
- b) the **performance report** on pages [x to xx] does not present fairly, in all material respects, (or does not give a true and fair view of):
  - the financial position of ABC [entity] as at [DD MM 20XX], and (of) its financial performance and cash flows for the year then ended; and
  - the entity information and its service performance for the year then ended

in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit).

[Assurance Practitioner's signature]



[Date of the assurance practitioner's report]

[Assurance practitioner's address]

### Illustrative Modified Conclusions

Example 1: Qualified audit opinion – the assurance practitioner is unable to obtain sufficient appropriate evidence.

Example 2: Qualified audit opinion – disagreement - ABC’s Performance information is not fairly stated in all material respects. The auditor disagrees with the selected outputs reported

*The following examples of extracts from modified auditor reports are for guidance only and are not intended to be exhaustive or applicable to all situations. They are based on the example report in Appendix 3 and may be adapted for limited assurance conclusions.*

#### **Example 1: Qualified audit opinion – the assurance practitioner is unable to obtain sufficient appropriate evidence about reported outputs**

...

##### *Auditor’s Responsibilities*

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the entity information, statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report and our qualified opinion on the statement of service performance.

...

##### *Basis for Qualified Opinion*

As stated in note ... on page ..., controls over the recording of the relevant outputs identified to be reported in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit) was limited during the period. Reporting of this type information is a new requirement and the entity’s controls have not been in operation throughout the period. Because of these limitations, we have been unable to obtain sufficient appropriate audit evidence to support the reported [*outputs*] for the year. Consequently, we are unable to determine whether any adjustments to these amounts are necessary.

...

##### *Qualified Opinion on the statement of service performance*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph:

- a) the reported outcomes and outputs, and quantification of the outputs to the extent practicable, in the statement of service performance are suitable;
- b) the performance report presents fairly, in all material respects, (*or gives a true and fair view of*) the service performance of ABC for the year ended [DD MM 20XX] in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit).

*Opinion on the entity information and the financial information*

In our opinion, the performance report presents fairly, in all material respects, (*or gives a true and fair view of*) the entity information and financial position of ABC [entity] as at [DD MM 20XX], and its financial performance, and cash flows for the year then ended in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit).

...

**Example 2: Qualified audit opinion – disagreement - ABC’s Performance information is not fairly stated in all material respects**

...

*Auditor’s Responsibilities*

...

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified opinion on the entity information, statement of financial performance, statement of financial position, statement of cash flows, statement of accounting policies and notes to the performance report and our qualified opinion on the statement of service performance.

...

*Basis for Qualified Opinion*

As reported in the statement of service performance on page ..., the entity has identified the following outputs [*list outputs reported on*] to report its service performance. The statement of service performance does not report on the following outputs: [*list the relevant outputs identified*]. These outputs are considered relevant in order to fairly present the service performance of ABC.

*Qualified Opinion on the statement of service performance*

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph:

- a) the reported outcomes and outputs, and quantification of the outputs to the extent practicable, in the statement of service performance are suitable;
- b) the performance report presents fairly, in all material respects, (*or gives a true and fair view of*) the service performance of ABC for the year ended [DD MM 20XX] in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit).

*Opinion on the entity information and financial information*

In our opinion, the performance report presents fairly, in all material respects, (*or gives a true and fair view of*) the entity information and financial position of ABC [entity] as at [DD MM 20XX], and its financial performance, and cash flows for the year then ended in accordance with Public Benefit Entity Simple Format Reporting – Accrual (Not-For-Profit).