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28 September 2018

Dear Sir

## **Feedback on Limited Scope Review Draft NZ AS 1 The Audit of Service Performance Information**

KPMG welcomes the opportunity to provide comments on the Limited Scope Review Draft NZ AS 1 The Audit of Service Performance Information. We have reviewed that paper, and our comments are set out below.

KPMG New Zealand is part of the global network of KPMG firms. The firm is one of New Zealand's largest chartered accountancy firms, with seven offices and more than 1,000 partners and staff. Our practice as Chartered Accountants gives us extensive experience of a range of professional services that are valued by the wide variety of entities and individuals that participate in capital market and investment activities in New Zealand. In responding to this consultation, we draw on our areas of expertise in preparation and presentation of financial information, financial reporting compliance, and in the provision of assurance and related services.

1. As to whether we consider New Zealand Auditing Standard 1 to be unworkable, identifying what requirements are considered to be unworkable, reasons why and suggestions for changes.

We believe paragraphs 16.a, 26 and 30 of the New Zealand Auditing Standard 1 (the "Standard") to be unworkable for the following reasons;

- Paragraph 16.a of the Standard states that the auditor shall communicate any deficiencies or areas of improvement relating to the judgements made in reporting the entity's service performance information. Our concern is around the use of the word 'any' as it may not be practicable to communicate all deficiencies or improvement areas. We suggest changing the wording to 'any significant deficiencies or areas for improvement'.
- Paragraph 26 states that the auditor shall discuss those matters identified in paragraphs 26.a – 26.a 'as soon as possible'. We believe this to be unworkable as it may not always be appropriate to communicate those matters 'as soon as possible'. We suggest removing the wording 'as soon as possible', which aligns with the wording used in ISA (NZ) 705, paragraph 30.
- We interpret paragraph 30 of the Standard to require the auditor to evaluate the design and implementation of *all* controls relating to the preparation of the service performance information. We believe this to be unpractical as not all controls will be relevant to the audit. We suggest

changing the wording of this paragraph to ‘Obtain an understanding of internal controls relevant to the audit...’, which is consistent with the wording used in ISA (NZ) 315, paragraph 13.

2. As to whether we believe that the Standard may result in unintended consequences, identifying what those consequences may be and suggestions as to how to avoid such unintended consequences.

We do not believe that the Standard will result in any unintended consequences and have no comments to provide on this matter.

Yours faithfully

A handwritten signature in cursive script that reads "Darby Healey".

Darby A Healey

Partner