

Kia ora koutou

- We recommend using the side-by-side view
- Please keep your video off and remain on mute.
- You're welcome to put your questions in the chat. We may not be able to respond during the webinar, but we will get back to you in due course
- Slides and recording will be made available after the webinar
- Survey to follow – please provide us with your feedback

Thankyou for joining us today.
Enjoy the webinar.



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Deep Dive – NZ AS 1 (Revised) *The Audit of Service Performance Information*

Webinar

14 September 2023

Presentation Overview



- Transition Options
- Benefits of NZ AS 1 (Revised)
- Key steps in the audit process

Your presenters

Lisa Thomas

Senior Project Manager,
Assurance Standards

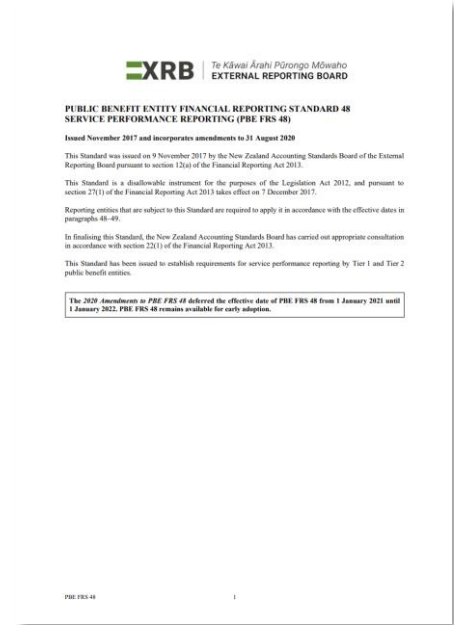
Jamie Cattell

Project Manager,
Accounting Standards

Service Performance Information

Information about an entity's objectives and activities during the period

- 1. Why the entity exists**
- 2. What it hopes to achieve and how it goes about it**
- 3. What it has done during the period**



Poll Question

1.

What engagements are you performing that cover service performance information (select all that are applicable)?

- a) Audit
- b) Review

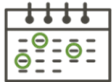
2.

For which types of sectors or entities (select all that are applicable)?

- a) Public sector
- b) Not for profit sector
- c) Tier 1 or tier 2
- d) Tier 3

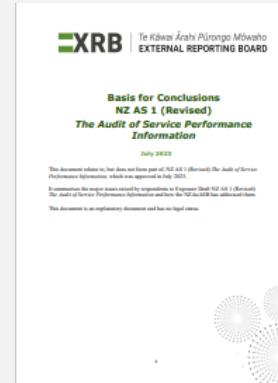
The Audit of Service Performance Information

NZ AS 1 (Revised)



For accounting periods beginning on or after January 2024

Basis for Conclusions



Once mandatory supersedes extant NZ AS 1

Poll Question

What standard are you currently using to audit service performance information?

1. ISAE (NZ) 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Non-Financial Information*
2. NZ AS 1 *The Audit of Service Performance Information*
3. NZ AS 1 (Revised) *The Audit of Service Performance Information*
4. AG 4 *The Audit of Performance Reports*

NZ AS 1 (Revised) - Transition Options

Auditors in the public sector are required to follow the standards of the Auditor-General.

During the transition period, practitioners will have the option to either:

Apply ISAE (NZ)
3000 (Revised)
*Assurance
Engagements Other
than Audits or
Reviews of Historical
Financial
Information*

Apply extant
NZ AS 1

Apply
NZ AS 1 (Revised)
for those
accounting
periods that have
not ended prior
to 24 August
2023

NZ AS 1 (Revised) is mandatory
for periods beginning on or
after:



1 January 2024

Transition period

Mandatory period

NZ AS 1 (Revised) - Benefits



Not-for-profit sector



Public sector

Key change



Aligns with the financial reporting standards

Key change



Use of plain language and examples

NZ AS 1 (Revised) - Benefits



Simplified language and use of examples

Simplified language: the 3 layers of service performance information:

1. Elements or aspects of service performance
2. Performance measure or description
3. Measurement basis or evaluation method

Extant NZ AS 1

Service Performance
Criteria

Overview of the proposals

1.

Elements or aspects of service performance
Provide safe drinking water

2.

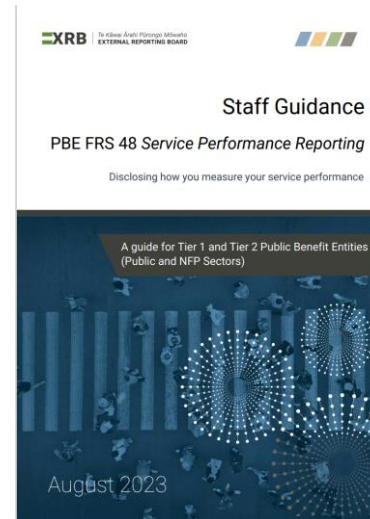
Performance measure or description
100% of drinking water is safe

3.

Measurement basis or evaluation method
Drinking water standards of NZ or internal measurement criteria

Measurement bases or evaluation method

- Service performance information must be useful for accountability and decision-making purposes
- Some measures will require more disclosures
- More complex or judgemental measures
- For example:
 - Whether a performance framework was used
 - Use of an independent assessment
 - The source of inputs
 - Any assumptions, estimates, or judgements
 - The criteria applied
 - Remaining uncertainties



[Guidance Link](#)

NZ AS 1 (Revised)



ISAs (NZ)

NZ AS 1
(Revised)

Financial and
SPI audited
concurrently

Planning

Key change



Time to Pause



**Reporting requirements
less prescribed**

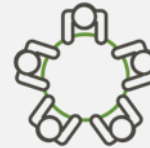


**Different to financial
information**



**Good understanding of
the entity**

Key change



Engage early

Two Step Approach



Two step approach:

1.

Is the information appropriate and meaningful?

2.

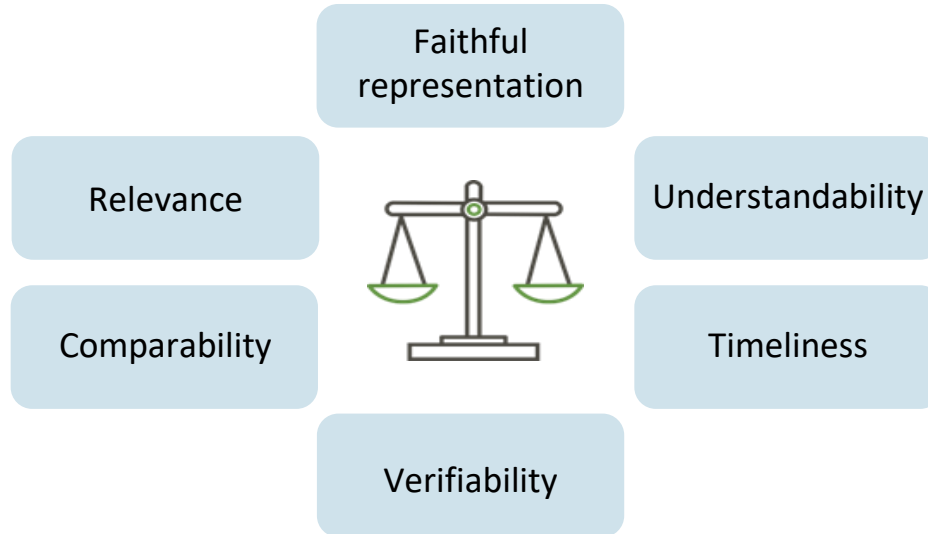
Does the information fairly reflect the actual performance and is not materially misstated?

Poll Question

Which of these below, are characteristics of “appropriate and meaningful” service performance information? (select all that are applicable)

- a) Relevance
- b) Mathematically accurate
- c) Verifiability
- d) Understandability
- e) Visually appealing

Appropriate and meaningful – accounting framework



Pervasive Constraints: materiality, cost-benefit

Two Step Approach – Step 1



1.

Key change

Is the information appropriate and meaningful?

- Think about the “what”
- Reporting requirements less prescribed
- Benefit from early engagement
- Deep understanding of entity

Two Step Approach – Step 2

2.

Does the information fairly reflect the actual performance and is not materially misstated?

- In accordance with measurement bases or evaluation method
- Obtaining sufficient appropriate audit evidence different to financial audits

Materiality

Ref. para 27

Use understanding of entity

Ref. para 28

Determine and document materiality considerations and/or materiality

Ref. para 29 (a)

Apply to assess appropriate and meaningful

Ref. para 29 (b)

Apply to assess misstatements

- What is significant to users
- Focus audit efforts

Materiality

Ref. para 27

Use understanding of entity

Ref. para 28

Determine and document materiality considerations and/or materiality

Ref. para 29 (a)

Apply to assess appropriate and meaningful

Ref. para 29 (b)

Apply to assess misstatements

- Unlikely to be an overall materiality
- Different unit for each measure
- May be possible to group

Materiality

Ref. para 27

Use understanding of entity

Ref. para 28

Determine and document materiality considerations and/or materiality

Ref. para 29 (a)

Apply to assess appropriate and meaningful

- Total picture
- What is important to users
- Professional judgement

Ref. para 29 (b)

Apply to assess misstatements

Materiality

Ref. para 27

Use understanding of entity

Ref. para 28

Determine and document materiality considerations and/or materiality

Ref. para 29 (a)

Apply to assess appropriate and meaningful

Ref. para 29 (b)

Apply to assess misstatements

- Individual misstatements
- Collective misstatements
- Unlikely to be able to aggregate collectively

Materiality



Proximity to purpose



Presentation



Extent of interest



**Economic, social,
political and
environmental effects**



**Number of persons
affected**



Relates to a target

Materiality



1.

Which elements/aspects are important to users

2.

What are the material performance measures and/or descriptions in those significant elements

3.

Tolerance for misstatement for those material performance measures and/or descriptions

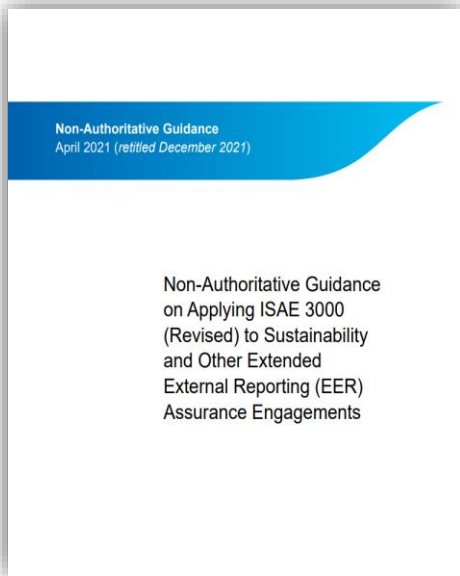
Audit Evidence

Must have sufficient appropriate audit evidence

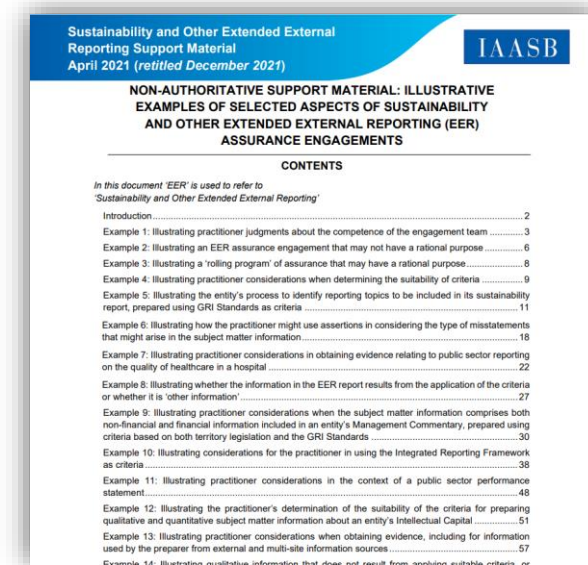
May differ from financial statement audit evidence

Financial information may provide a sense check

International Guidance



[IAASB guidance](#)



[Case studies](#)

Report Content

Opinion includes whether:

- Appropriate and meaningful
- Prepared in accordance with:
 - Measurement bases or evaluation method
 - Applicable financial reporting framework

SPI key audit matters:

- Professional judgement
- Most significant to the audit



Guidance - Coming soon



Series of frequently asked questions

Auditors of Less Complex Entities

- We are seeking feedback on whether New Zealand should adopt International Standards on Auditing (ISA) for Less Complex Entities (LCE), and if so, for which audits.
- To participate in the survey, please go to <https://www.surveymonkey.com/r/ISAforLCE>
- We estimate that this short survey will take less than 10 minutes to complete.
- *The survey closes 5pm, Friday 22 September.*



A large orange speech bubble with a white outline, containing the word 'Questions' in white text.

Questions

A solid orange circle.

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