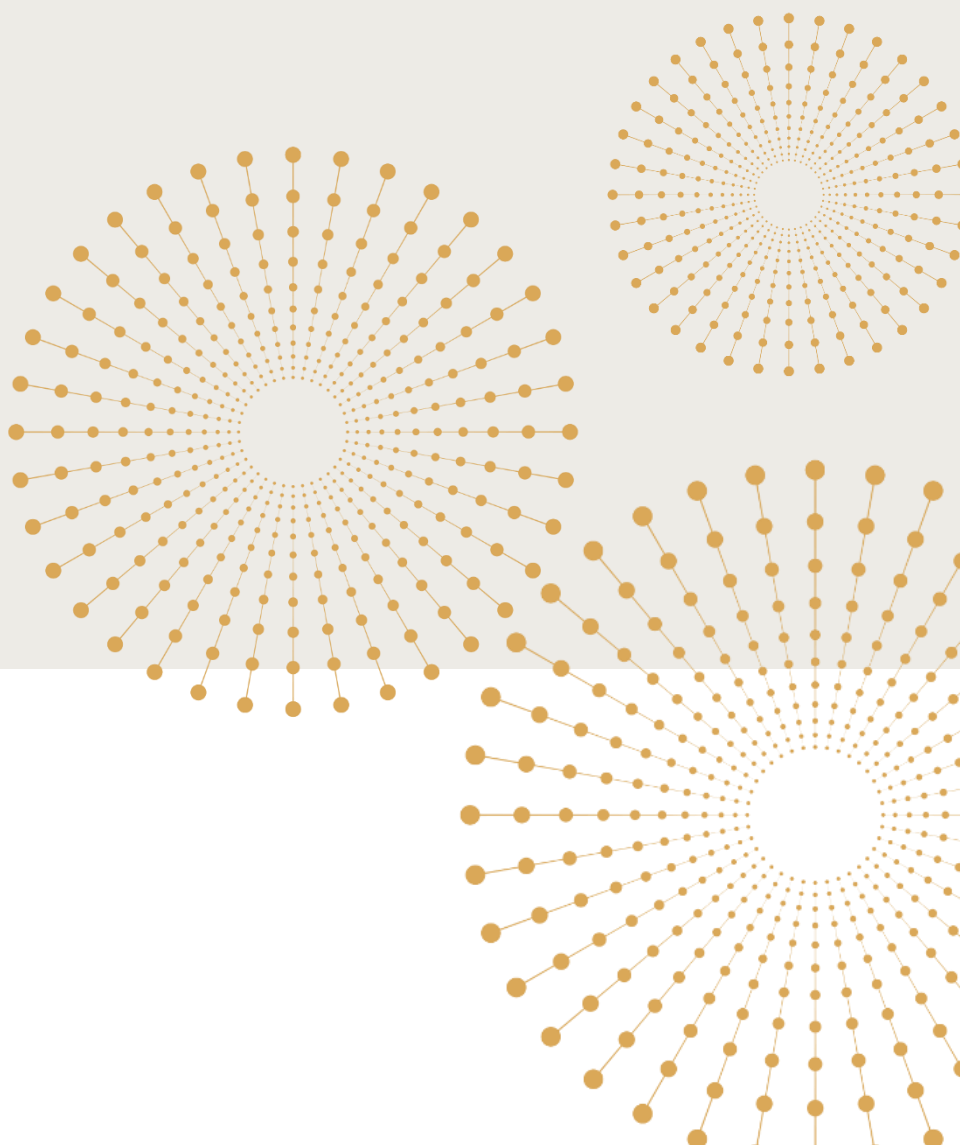


Review of Service Performance Information

Exposure Draft

Submissions close 17 July 2024



April 2024



REVIEW OF SERVICE PERFORMANCE INFORMATION

CONTENTS

	Paragraph
Commencement and Application	0.1-0.4
Introduction.....	1-2
Scope.....	3-6
Objective	7
Definitions.....	8
Requirements	
General Requirements.....	9-12
Documentation.....	13-14
Agreeing the Terms of the Engagement	15
The Assurance Practitioner’s Understanding.....	16-19
Planning	20-23
Compliance With the Applicable Financial Reporting Framework	24
Materiality.....	25-29
Designing and Performing Procedures	30-35
Non-Compliance with Laws and Regulations	36
Use of Work Performed by Others	37-38
Written Representations.....	39
Evaluating the Evidence Obtained.....	40
Forming the Assurance Practitioner’s Conclusion on the Service Performance	
Information	41-48
The Assurance Practitioner’s Report	49-54
Communication with Management and Those Charged with Governance	55
Application Material and Other Explanatory Material	
Introduction.....	A1-A2
Scope of this NZ SRE.....	A3
General Requirements.....	A4-A5

Documentation	A6
Agreeing the Terms of the Engagement	A7-A10
The Assurance Practitioner’s Understanding.....	A11-A20
Planning	A21-A23
Compliance with the Applicable Financial Reporting Framework	A24-A34
Materiality.....	A35-A49
Designing and Performing Procedures	A50-A56
Use of Work Performed by Others	A57
Written Representations.....	A58
Evaluating the Evidence Obtained.....	A59
Forming the Assurance Practitioner’s Conclusion on the Service Performance	
Information	A60-A62
The Assurance Practitioner’s Report	A63-A66
Communication with Management and Those Charged with Governance	A67-A69
Appendix 1: Illustrative Review Engagement Letter including Service Performance Information	
Appendix 2: Illustrative Representation Letter including Service Performance Information	
Appendix 3: Illustrative Assurance Practitioner’s Review Report including Service Performance Information	
Appendix 4: Illustrations of Assurance Practitioner’s Report with Modified Conclusions with respect to Service Performance Information	

Commencement and Application

When standard takes effect (section 27 Financial Reporting Act 2013)

- 0.1 This standard takes effect on the 28th day after the date of its publication under the Legislation Act 2019.¹

Accounting period in relation to which standards commence to apply (section 28 Financial Reporting Act 2013)

- 0.2 The accounting periods in relation to which this standard commences to apply are:
- (a) For an early adopter, those accounting periods following, and including, the **early adoption accounting period**:
 - (b) For any other assurance practitioner, those accounting periods following, and including, the first accounting period that begins on or after the **mandatory date**.
- 0.3 In paragraph 0.2:
early adopter means an assurance practitioner that applies this standard for an early adoption accounting period.

early adoption accounting period means the accounting period:

- (a) that begins before the mandatory date but has not ended or does not end before this standard takes effect (and to avoid doubt, that period may have begun before this standard takes effect); and
- (b) for which the early adopter
 - (i) first applies this standard, and
 - (ii) discloses in its assurance practitioner's review report for that accounting period that this standard has been applied for that period.

- 0.4 **mandatory date** means [XX November] 2025.

Introduction

1. Service performance information is information about what the entity has done and achieved during the reporting period in working towards its broader aims and objectives, together with supporting contextual information, when applicable, about why an entity exists, what it intends to achieve and how it goes about this, prepared in accordance with the applicable financial reporting framework.
2. To obtain limited assurance over service performance information requires a different approach than may be used for the financial information. This NZ SRE emphasises the need to understand the entity and use that understanding to discuss with management whether the entity's approach provides an appropriate basis for the service performance information and is expected to result in appropriate and meaningful reporting, prior to obtaining evidence whether anything has come to the assurance practitioner's attention that the service performance information does not fairly reflect the actual service performance. (Ref: Para. A1-A2)

¹ The standard was published on XX XXXXX.

Scope of this NZ SRE

3. This New Zealand Standard on Review Engagements (NZ SRE) deals with the assurance practitioner's responsibilities with respect to service performance information when an assurance practitioner is engaged to perform a review of service performance information concurrently with a review of the financial statements.
4. This NZ SRE establishes requirements and provides guidance not addressed by International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400² with respect to service performance information.
5. This standard together with ISRE (NZ) 2400 sets out the requirements to obtain limited assurance over service performance information.
6. This NZ SRE applies when the assurance practitioner is required by law or regulation or is otherwise engaged to review both the financial statements and the service performance information prepared in accordance with the applicable financial reporting framework. (Ref: Para. A3)

Objective

7. The objectives of the assurance practitioner are to:
 - (a) obtain limited assurance, primarily by performing enquiry, analytical procedures, and, as the assurance practitioner considers necessary in the circumstances, other procedures, about whether anything has come to their attention that the service performance information individually or collectively is not free from material misstatement, and
 - (b) express a limited assurance conclusion in a written report.

Definitions

8. For the purposes of this NZ SRE, the following terms have the meanings attributed below:
 - (a) *Misstatement* – Misstatements can be intentional or unintentional, qualitative, or quantitative, and include omissions. Misstatements can arise from error or fraud and include:
 - (i) An element/aspect of service performance or performance measure and/or description, or a measurement basis or evaluation method that is not appropriate and meaningful; or
 - (ii) An element/aspect of service performance or performance measure and/or description that would be appropriate and meaningful is omitted; or
 - (iii) Incorrectly measuring or evaluating the entity's service performance.
 - (b) *Management's expert* – An individual or organisation possessing expertise in a field other than accounting or assurance, whose work in that field is used by the entity to assist the entity in preparing the service performance information.
 - (c) *Service organisation* – A third-party organisation (or segment of a third-party organisation) that provides services to user entities that are part of those entities'

² ISRE (NZ) 2400, *Review of Historical Financial Statements Performed by an Assurance Practitioner who is Not the Auditor of the Entity*

information systems relevant to reporting service performance information.

Requirements

General Requirements

Conducting an Engagement in Accordance with this NZ SRE

9. The assurance practitioner shall apply ISRE (NZ) 2400 and this NZ SRE when reviewing service performance information. (Ref: Para. A4)
10. The practitioner shall have an understanding of the entire NZ SRE, including its application and other explanatory material, to understand its objectives and to apply its requirements properly.
11. The assurance practitioner shall not represent compliance with this NZ SRE unless the assurance practitioner has complied with the requirements of both this NZ SRE and ISRE (NZ) 2400 in relation to the review of service performance information.

Professional Judgement and Professional Scepticism

12. The assurance practitioner shall plan and perform the review of service performance information by exercising professional judgement and with an attitude of professional scepticism. (Ref: Para. A5)

Documentation

13. The assurance practitioner shall document the nature, timing and extent of the procedures performed to comply with this NZ SRE and ISRE (NZ) 2400.
14. The documentation shall include:
 - (a) Significant professional judgements made in procedures performed, the evidence obtained, and conclusions reached. (Ref: Para. A6)
 - (b) As far as possible, evidence of relevant relationships between the service performance information and the financial statements.

Agreeing the Terms of the Engagement

15. The terms of engagement shall include: (Ref: Para. A7-A10)
 - (a) The responsibilities of the assurance practitioner with respect to the service performance information is to express a conclusion on the service performance information on whether anything has come to the assurance practitioner's attention that causes them to believe that the service performance information does not present fairly, in all material respects:
 - in that the service performance information is appropriate and meaningful and prepared in accordance with the entity's measurement bases or evaluation methods, in accordance with the applicable financial reporting framework.
 - (b) The responsibilities of management or those charged with governance, as appropriate, including that they acknowledge and understand their responsibility on behalf of the entity for:
 - (i) The selection of elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation

methods that present service performance information that is appropriate and meaningful, in accordance with the applicable financial reporting framework;

- (ii) The preparation of service performance information in accordance with the entity's measurement bases or evaluation methods, in accordance with the applicable financial reporting framework;
- (iii) The overall presentation, structure and content of the service performance information in accordance with the applicable financial reporting framework; and
- (iv) Such internal control as management or those charged with governance, as appropriate, determine is necessary to enable the preparation of the service performance information that is free from material misstatement, whether due to fraud or error.

The Assurance Practitioner's Understanding

Understanding the Entity

16. The assurance practitioner shall obtain an understanding of: (Ref: Para. A11)
- (a) Why the entity exists and what it intends to achieve i.e., its purpose or objective.
 - (b) What activities or services the entity performs.
 - (c) Who the entity aims to serve i.e., the entity's primary stakeholders and the primary users of the service performance report.
 - (d) What is considered important to those stakeholders and users and what they may use the service performance information for.

Understanding Laws and Regulations

17. The assurance practitioner shall obtain an understanding of: (Ref: Para. A12-A14)
- (a) The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates, and laws and regulations that specify the form, content, preparation, publication, and review of service performance information; and
 - (b) How the entity is complying with that framework.

Understanding the Service Performance Information Reported

18. The assurance practitioner shall obtain an understanding of: (Ref: Para. A15-A18)
- (a) The applicable financial reporting framework relevant to the service performance information.
 - (b) The process, including the rationale and logic the entity undertook to determine what elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods and, if applicable, judgements to report.
 - (c) The process the entity undertook to identify the intended users of the service performance information and the level of engagement with the intended users.

- (d) The measurement bases or evaluation methods used by the entity to assess the performance measures and/or descriptions and how these are made available to intended users.
- (e) Changes to the elements/aspects of service performance, performance measures and/or descriptions, and the measurement bases or evaluation methods used to report its service performance compared to prior year, planned, forecast or prospective information.
- (f) Where the entity intends to report its service performance information.

Understanding of Internal Control

- 19. The practitioner shall obtain an understanding of internal control, over the preparation of the service performance information. (Ref: Para. A19-A20)

Planning

- 20. The assurance practitioner shall develop a review plan with a single review approach to concurrently cover the service performance information and the financial statements. (Ref: Para. A21-A23)
- 21. In establishing the review plan, the assurance practitioner shall:
 - (a) Consider the factors that, in the assurance practitioner's professional judgement, are significant in directing the engagement team's efforts in respect of the review of service performance information.
 - (b) Determine the timing of when to consider whether the entity's service performance information is appropriate and meaningful.
 - (c) Determine whether expertise in a field other than accounting or assurance may be necessary regarding the service performance information. (Ref: Para. A57)
- 22. The assurance practitioner shall discuss with management or those charged with governance, as appropriate:
 - (a) What elements/aspects of service performance and performance measures and/or descriptions the entity intends to report as part of its service performance information.
 - (b) What measurement bases or evaluation methods the entity intends to use to measure or evaluate its performance.
- 23. Any concerns identified shall then be communicated to management or as appropriate, those charged with governance as soon as practicable.

Compliance With the Applicable Financial Reporting Framework

Appropriate and Meaningful

- 24. The assurance practitioner shall consider whether the service performance information: (Ref: Para. A6, A24-A27, A34)
 - (a) Fairly reflects the assurance practitioner's understanding of the entity's performance from all other review work performed on the engagement. (Ref: Para. A28)
 - (b) Is likely to meet the needs of the intended user to enable an informed assessment

of the entity's service performance. (Ref: Para. A29-A30)

- (c) Relates to an element/aspect of service performance that significantly contributes to the entity's core purpose, functions or objectives. (Ref: Para. A31)
- (d) Is likely to have sufficient appropriate evidence to support the performance measure and/or description.
- (e) Is capable of measurement or evaluation in a consistent manner from period to period. (Ref: Para. A32-A33)
- (f) Is presented in a way that is easy to follow, concise, logical and aggregated where appropriate so that it will enable a user to identify the main points of the entity's service performance in that year.

Materiality

- 25. The assurance practitioner shall use the understanding gained in paragraphs 16-19 to determine the significant elements/aspects of service performance. (Ref: Para. A35-A36)
- 26. The assurance practitioner shall determine and document materiality considerations and/or materiality for service performance information to determine the: (Ref: Para. A6, A37-A40)
 - (a) Nature, timing and extent of review procedures; and
 - (b) Assurance practitioner's tolerance for misstatement in relation to material service performance measures and/or descriptions.
- 27. The assurance practitioner shall apply materiality when assessing: (Ref: Para. A41-A49)
 - (a) The appropriateness and meaningfulness of the significant elements/aspects of service performance and related material performance measures and/or descriptions; and (Ref: Para. A41-A42)
 - (b) Individual or collective misstatements within performance measures and/or descriptions, measurement bases or evaluation methods, that based on the assurance practitioner's judgement, are likely to influence the decisions of the intended users based on the information.
- 28. The assurance practitioner shall revise the judgements made in determining materiality for the service performance information if matters come to the assurance practitioner's attention during the review that would have caused the assurance practitioner to make a different materiality judgement.
- 29. The assurance practitioner shall consider individually or collectively, the impact on the service performance information, of all misstatements identified during the review, other than those that are clearly trivial, that are uncorrected by the entity. (Ref: Para. A44-A49)

Designing and Performing Procedures

- 30. The assurance practitioner shall use the understanding obtained in paragraphs 16-19, to identify areas in the service performance information where material misstatements are likely to arise and thereby provide a basis for designing procedures to address those areas. (Ref: Para. A50)

31. In obtaining sufficient appropriate evidence as the basis for a limited assurance conclusion on the service performance information, the assurance practitioner shall design and perform enquiry and analytical procedures and, as the assurance practitioner considers necessary in the circumstances, other procedures: (Ref: Para. A51-A53)
 - (a) To address all material service performance information; and
 - (b) To address areas where material misstatements are likely to arise.
32. In designing analytical procedures, the assurance practitioner shall consider whether the data relevant to service performance information from the entity's information system and records are adequate for the purpose of performing the analytical procedures. (Ref: Para. A54)
33. Where possible the assurance practitioner shall draw on relationships that exist between the service performance information and the financial statements. (Ref: Para. A55)
34. If the assurance practitioner becomes aware of a matter that causes the assurance practitioner to believe that the service performance information may be materially misstated, the assurance practitioner shall design and perform additional procedures to obtain further evidence until the assurance practitioner is able to:
 - (a) Conclude that the matter is not likely to cause the service performance information to be materially misstated; or
 - (b) Determine that the matter causes the service performance information to be materially misstated.
35. Where the service performance information relates to a group, obtain sufficient appropriate evidence regarding the service performance information of the components and the aggregation or consolidation process in order to express a conclusion on the group service performance information. (Ref: Para. A56)

Non-compliance with Laws and Regulations

36. The assurance practitioner shall comply with ISRE (NZ) 2400 for actual, suspected or alleged non-compliance with provisions of those laws and regulations that are generally recognised to have a direct effect on the reporting of material service performance information.

Use of Work Performed by Others

37. The assurance practitioner shall determine whether information to be used as evidence has been prepared using the work of a management's expert. If the assurance practitioner uses work performed by a management's expert in the course of performing the review, the assurance practitioner shall take appropriate steps to be satisfied that the work performed is adequate for the assurance practitioner's purpose. (Ref: Para. A57)
38. Where service performance information is derived from a service organisation, the assurance practitioner shall obtain an understanding of the nature and significance of the services provided by the service organisation to identify areas where material misstatements are likely to arise in the service performance information and thereby provide a basis for designing procedures to address those areas.

Written Representations

39. In addition to the representations required by ISRE (NZ) 2400³, the assurance practitioner shall request written representations from management or those charged with governance, as appropriate, that they have fulfilled their responsibility for: (Ref: Para. A58)
- (a) The selection of elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods that present service performance information that is appropriate and meaningful, in accordance with the applicable financial reporting framework.
 - (b) The preparation of service performance information in accordance with the entity's measurement bases or evaluation methods, in accordance with the applicable financial reporting framework.
 - (c) The overall presentation, structure and content of the service performance information in accordance with the applicable financial reporting framework.
 - (d) Such internal control as management or those charged with governance, as appropriate, determine is necessary to enable the preparation of the service performance information that is free from material misstatement, whether due to fraud or error.

Evaluating the Evidence Obtained

40. The assurance practitioner shall evaluate whether sufficient appropriate evidence has been obtained regarding service performance information, in accordance with ISRE (NZ) 2400⁴. (Ref: Para. A59)

Forming the Assurance Practitioner's Conclusion on the Service Performance Information

41. The assurance practitioner shall form a conclusion on whether anything has come to their attention that causes the assurance practitioner to believe that the service performance information does not present fairly⁵, in all material respects:
- in that the service performance information is appropriate and meaningful and prepared in accordance with the entity's measurement bases or evaluation methods, in accordance with the applicable financial reporting framework.
42. In forming a conclusion on the service performance information, the assurance practitioner shall consider:
- (a) Whether uncorrected misstatements are material, individually or collectively, as required by paragraph 29.
 - (b) The sufficiency and appropriateness of evidence obtained, as required by paragraph 40.

³ ISRE (NZ) 2400, paragraph 61-65

⁴ ISRE (NZ) 2400, paragraph 66-68

⁵ When the service performance information is prepared in accordance with a compliance framework, the assurance practitioner is not required to evaluate whether the service performance information achieves fair presentation.

43. When the information is prepared in accordance with a fair presentation framework, in addition to the requirements of paragraph 42, the assurance practitioner shall also consider whether anything has come to the assurance practitioner's attention regarding:
- (a) The appropriateness and meaningfulness of the service performance information presented by the entity.
 - (b) Whether the service performance information is not prepared in accordance with the entity's measurement bases or evaluation methods, in accordance with the applicable financial reporting framework.
 - (c) The availability of the measurement bases or evaluation methods to intended users. (Ref: Para. A60-A61)
 - (d) Whether the overall presentation of the service performance information has been undermined by the inclusion of irrelevant information or information that obscures a proper understanding of the matters disclosed.
 - (e) Whether the overall presentation, structure and content of the service performance information represents the service performance of the entity in a manner that does not achieve fair presentation.

Form of the Conclusion

44. The assurance practitioner's conclusion on the service performance information, whether unmodified or modified, shall be expressed in the appropriate form in the context of the financial reporting framework applied to the service performance information.

Unmodified Conclusion

45. The assurance practitioner shall express an unmodified conclusion in the assurance practitioner's report on the service performance information when the assurance practitioner has obtained limited assurance to be able to conclude that nothing has come to their attention that causes the assurance practitioner to believe that the service performance information, does not present fairly, in all material respects, in that the service performance information is appropriate and meaningful and prepared in accordance with the entity's measurement bases or evaluation methods, in accordance with the applicable financial reporting framework.

Modified Conclusion

46. The assurance practitioner shall modify the conclusion, with respect to the service performance information when:
- (a) The assurance practitioner concludes that either individually or collectively the elements/aspects of service performance, performance measure and/or descriptions, or measurement bases or evaluation methods are materially misstated in that it is not appropriate and meaningful and as such is not in accordance with the applicable financial reporting framework, or
 - (b) The assurance practitioner concludes, based on the evidence obtained, that the service performance information is not individually or collectively free from material misstatement, or
 - (c) The assurance practitioner is unable to obtain sufficient appropriate evidence to conclude that the service performance information, as a whole, is free from

material misstatement.

47. When the assurance practitioner modifies the conclusion with respect to the service performance information, the assurance practitioner shall consider the effect of the modification on the conclusion on the financial statements. (Ref: Para. A62)
48. If the assurance practitioner modifies the conclusion on the financial statements, the assurance practitioner shall consider the effect of the modification on the conclusion of the service performance information.

The Assurance Practitioner's Report

49. The assurance practitioner's report on the financial statements and the service performance information shall be included in a single report and shall include the elements required by ISRE (NZ) 2400⁶ as applicable to the service performance information. (Ref: Para. A63-A64)
50. In addition to the requirements addressing financial statements in ISRE (NZ) 2400, the assurance practitioner's report shall:
 - (a) Describe the responsibilities of management or those charged with governance, as appropriate, including for:
 - (i) The selection of elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods that present service performance information that is appropriate and meaningful, in accordance with the applicable financial reporting framework;
 - (ii) The preparation of service performance information in accordance with the entity's measurement bases or evaluation methods, in accordance with the applicable financial reporting framework;
 - (iii) The overall presentation, structure and content of the service performance information in accordance with the applicable financial reporting framework; and
 - (iv) Such internal control as management or those charged with governance, as appropriate, determine is necessary to enable the preparation of service performance information that is free from material misstatement, whether due to fraud or error;
 - (b) Describe the assurance practitioner's responsibility to express a conclusion on the service performance information including reference to this NZ SRE and ISRE (NZ) 2400. This description should include the responsibility of the assurance practitioner to conclude whether anything has come to the assurance practitioner's attention that causes them to believe that the service performance information does not present fairly, in all material respects:
 - (i) in that the service performance information is appropriate and meaningful, and prepared in accordance with the entity's measurement bases or evaluation methods, in accordance with the applicable financial reporting framework;

⁶ ISRE (NZ) 2400, paragraph 86-NZ86.1

- (c) Describe a review of service performance information and its limitations, including the following statements:
 - (i) A review engagement under this NZ SRE and ISRE (NZ) 2400 is a limited assurance engagement;
 - (ii) The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and, as the assurance practitioner considers necessary in the circumstances, other procedures, and evaluates the evidence obtained; and
 - (iii) The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with auditing standards issued by the External Reporting Board, and, accordingly, the assurance practitioner does not express an audit opinion on the service performance information; and
- (d) Include a conclusion paragraph that:
 - (i) Contains the assurance practitioner’s conclusion on the service performance information;
 - (ii) Identifies the service performance information; and
 - (iii) Refers to the measurement bases or evaluation methods.

51. When the assurance practitioner modifies the conclusion with respect to the service performance information only, the conclusion shall clearly indicate that the conclusion on the financial statements is not modified. The assurance practitioner shall:

- (a) Use the heading “Qualified Conclusion on the Statement of Service Performance”, “Adverse Conclusion on the Statement of Service Performance” or “Disclaimer of Conclusion on the Statement of Service Performance” as appropriate, for the conclusion paragraph in the assurance practitioner’s report. The conclusion with respect to the financial statements shall use the heading “Conclusion on the Financial Statements”; and
- (b) Provide a description of the matter giving rise to the modification, under an appropriate heading (for example, “Basis for Qualified Conclusion on the Statement of Service Performance”, “Basis for Adverse Conclusion on the Statement of Service Performance” or “Basis for Disclaimer of Conclusion on the Statement of Service Performance”, as appropriate), in a separate section in the assurance practitioner’s report immediately before the conclusion paragraph (referred to as the basis for conclusion paragraph in ISRE (NZ) 2400⁷).

Scope Limitation

52. If the assurance practitioner is unable to obtain sufficient appropriate evidence to form a conclusion, the assurance practitioner shall discuss with management or those charged with governance, as appropriate, the effects such limitations have on the scope of the review. (Ref: Para. A65-A66)

Emphasis of Matter Paragraphs and Other Matter Paragraphs

⁷ ISRE (NZ) 2400, paragraph 80, 85

53. If the assurance practitioner considers it necessary to draw users' attention to a matter presented or disclosed in the service performance information, that in the assurance practitioner's judgement, is of such importance that it is fundamental to users' understanding of the service performance information, the assurance practitioner shall include an Emphasis of Matter paragraph in the assurance practitioner's report.
54. If the assurance practitioner considers it necessary to communicate a matter other than those that are presented or disclosed in the service performance information, that in the assurance practitioner's judgement, is relevant to users' understanding of the review of service performance information, the assurance practitioner shall include an Other Matter paragraph in the assurance practitioner's report.

Communication with Management and Those Charged with Governance

55. In applying ISRE (NZ) 2400⁸, the assurance practitioner shall communicate with management and those charged with governance, as appropriate, on a timely basis during the course of the review engagement, all matters concerning the review of service performance information that, in the assurance practitioner's professional judgement, are of sufficient importance to merit the attention of management or those charged with governance, as appropriate. (Ref: Para. A67-A69)

Application and Other Explanatory Material

Introduction (Ref: Para. 2)

- A1. The assurance practitioner may benefit from early engagement with the entity to understand the entity's service performance reporting process, and address any challenges that may arise having considered the factors required by paragraph 24.
- A2. Service performance reporting requirements are generally less prescribed than financial information. This may result in varied service performance reporting between similar entities and industries. Therefore, when providing limited assurance over service performance information, prior to obtaining evidence that the service performance information fairly reflects actual performance, it is fundamental that the assurance practitioner uses their understanding of the entity, to firstly consider what service performance information the entity has selected to report, and how that information will be measured or evaluated.

Scope of this NZ SRE (Ref: Para. 6)

- A3. An entity may be required to identify the service performance information that is prepared in accordance with the applicable financial reporting framework. This standard only applies to service performance information prepared in accordance with the applicable financial reporting framework.

General Requirements

Conduct Engagement in Accordance with ISRE (NZ) 2400 (Ref: Para. 9)

- A4. This NZ SRE supplements ISRE (NZ) 2400. It expands on how ISRE (NZ) 2400 is to be applied to the service performance information. This NZ SRE includes specific

⁸ ISRE (NZ) 2400, paragraph 42

requirements for the service performance information that are not explicitly dealt with by ISRE (NZ) 2400 or where the application of ISRE (NZ) 2400 differs as a result of the nature of the service performance information.

Professional Judgement and Professional Scepticism (Ref: Para. 12)

- A5. The applicable financial reporting framework enables an entity to determine how it selects, aggregates, measures and presents its service performance information. As such, this elevates the need for early engagement and planning of sufficient time to obtain an understanding of the entity and to exercise professional judgement, particularly to assess whether the service performance information is appropriate and meaningful and to determine materiality. The assurance practitioner may find it helpful to seek out examples of service performance reporting of similar entities.

Documentation (Ref: Para. 14(a))

- A6. Examples of the use of professional judgement to include in documentation include significant matters and judgements relating to:
- The appropriateness and meaningfulness of the service performance information (Ref: Para. 24).
 - The factors considered in determining materiality and what measures are material (Ref: Para. 26).

Agreeing the Terms of the Engagement (Ref: Para. 15)

- A7. The terms of the review engagement include references to the service performance information.
- A8. A review is conducted in accordance with this NZ SRE on the basis that management, and where appropriate, those charged with governance, have acknowledged and understand that they have a responsibility for the preparation of service performance information that is appropriate and meaningful and for designing, implementing and maintaining a system of internal control that management and, where appropriate, those charged with governance, determine is necessary to enable the preparation of service performance information that is appropriate and meaningful. The entity's process to identify service performance information to report should appropriately support the preparation of service performance information that is appropriate and meaningful. In the absence of such a process, it may be difficult to establish whether management or those charged with governance, as appropriate, have a reasonable basis for the service performance information.
- A9. Some entities are required by the applicable financial reporting framework to prepare entity information.⁹ For Tier 3 registered charities that have a statutory review requirement¹⁰, all information required to be prepared by the applicable reporting standard is required to be reviewed, including the entity information.

⁹ Examples of financial reporting frameworks that require an entity information include:

- Reporting Requirements for Tier 3 Not-for-Profit Entities
- Reporting Requirements for Tier 3 Public Sector Entities
- Reporting Requirements for Tier 4 Not-for-Profit Entities
- Reporting Requirements for Tier 4 Public Sector Entities

¹⁰ Charities Act 2005

A10. An illustrative engagement letter that covers the agreed terms of the engagement of the performance report is set out in Appendix 1.

The Assurance Practitioner's Understanding

Understanding the Entity (Ref: Para. 16)

A11. The assurance practitioner may obtain an understanding through:

- (a) Enquires with management or those charged with governance, as appropriate.
- (b) Reading:
 - Founding documents such as rules, constitution or trust deed.
 - Statement of intent.
 - Past statements of service performance.
 - Funding documents or agreements.
 - Minutes from governance meetings.
 - Entity's newsletters.
 - Entity's public website.
 - Charities register.
 - Media reports.

Understanding Laws and Regulations (Ref: Para. 17)

A12. Laws and regulations may differ among entities depending on their governing legislation.

A13. The nature of the performance report may be specified in applicable legislation, which may indirectly determine the nature of the performance information to be reported.

A14. The provisions of those laws and regulations may require the entity to present particular service performance information which may be over and above any requirements to comply with the applicable financial reporting framework. As the reporting is required by law and regulation the assurance practitioner is not required to assess whether the service performance information is appropriate and meaningful.

Understanding the Service Performance Information Reported (Ref: Para. 18)

A15. The entity will need to interpret the applicable financial reporting framework and either select pre-existing external service performance information, including pre-established performance measures and/or descriptions, or measurement bases or evaluation methods from guidance, standards, laws or regulation, or it may need to apply judgement to develop internally its own performance measures and/or descriptions, or measurement bases or evaluation methods for its service performance information. The need for such judgement makes the preparation of service performance information inherently more susceptible to the risk of management bias.

A16. The process applied by the entity to determine what service performance information to report on and how to measure or evaluate its service performance information may affect the work that the assurance practitioner carries out. The level of potential management bias in selecting the elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation

methods directly correlates with the amount of work that the assurance practitioner may need to perform when considering the service performance information reported or intended to report. For example, use of performance measures and/or descriptions, or measurement bases or evaluation methods specified by external benchmarks or industry guidance may require less work than internally generated performance measures and/or descriptions, or measurement bases or evaluation methods, as external guidance reduces the risk of management bias. The entity may have documentation that reflects the process it went through in selecting its service performance information. Transparency about the entity's process to select its service performance information and the entity's consideration of materiality may also affect the work that the assurance practitioner carries out.

A17. In the early stages of reporting service performance information, the entity may not have developed an appropriate process, supported by internal controls, to identify its service performance information, or service performance information may be less accurate or complete. The entity may therefore be unable to include certain aspects of its service performance in its service performance information. The assurance practitioner exercises professional judgement to conclude on the impact of such omissions (including those for which the entity has provided reasons or explanations). This is particularly relevant since entities will be at varying stages of maturity in respect of preparing service performance information.

A18. Unforeseen events impacting the entity may require the entity to focus on different elements/aspects of service performance, performance measures and/or descriptions, or measurement bases or evaluation methods than intended when the service performance information was determined for the period. The assurance practitioner should gain an understanding of such events and the impact it has on service performance reporting and whether any alternative elements/aspects of service performance, performance measures and/or descriptions, or measurement bases or evaluation methods used are more appropriate and meaningful to fairly reflect the revised activities or services performance of the entity over the period.

Understanding of Internal Control (Ref: Para. 19)

A19. Internal control systems related to the preparation of service performance may be less developed or less well embedded into the operations than those related to the preparation of financial information. They may be less traditional to those used for financial information.

A20. An entity's internal control systems related to the preparation of service performance information may vary by size or complexity of the entity, and the nature and complexity of the service performance information. There is a difference between simple controls and inadequate controls. Simple controls may be adequate when the entity and the performance measure and/or description and its measurement basis or evaluation method are not complex.

Planning (Ref: Para. 20)

A21. Although it is likely that the service performance information and financial information will come from different systems, a single approach to the review recognises the inextricable link between the service performance information and the financial statements of an entity.

- A22. It is important to engage with the entity as early as possible to understand the elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods the entity intends to report.
- A23. Expertise in a field other than accounting or assurance may be necessary as a result of information included in the service performance information, for example, expertise in relation to the measurement of complex performance measures.

Compliance With the Applicable Financial Reporting Framework

Appropriate and Meaningful (Ref: Para. 24)

- A24. When considering the service performance information, the assurance practitioner assesses how well the entity has balanced the qualitative characteristics and pervasive constraints when selecting its elements/aspects of service performance, performance measures and/or descriptions, and measurement bases and evaluation methods.
- A25. Consideration of whether the service performance information will result in appropriate and meaningful reporting may include the following aspects of service performance information:
- The elements/aspects of service performance that the entity has selected to report on. For example, provide safe drinking water to stakeholders.
 - The performance measures and/or descriptions the entity has used to report on what it has done in relation to the elements/aspects of service performance during the reporting period. For example, 100% of water supplied was safe.
 - The measurement basis or evaluation method used to measure or evaluate the performance measure and/or description. For example, Drinking Water Standards for New Zealand or internally generated safe drinking water criteria.
- A26. It is the entity's responsibility 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 does not present fairly, in all material respects, the service performance information.
- A27. The entity's selection of appropriate and meaningful service performance information to report involves a considerable amount of judgement. Although enquiry may be the principal source of evidence, there may be documentation that provides evidence to support the judgements made by the entity in selecting the service performance information to report, for example, those referred to in paragraph A11.
- A28. The assurance practitioner may consider whether the service performance information inappropriately attributes service performance to the entity. (Ref: Para. 24(a))
- A29. The assurance practitioner may consider: (Ref: Para. 24(b))
- Whether the service performance information presents a neutral view including all significant aspects, both positive and negative.
 - Whether any service performance information is omitted, where this is an appropriate link to the service performance of the entity.
 - Whether there is potential for management bias in the selection of the performance measure and/or descriptions.

- If the entity reports targets, how those targets may obscure a proper understanding of the entity's service performance.
- The results of surveys. For example, satisfaction surveys, or other evidence of stakeholder consultation, e.g., feedback, complaints which may indicate the appropriateness of the service performance information.
- Whether the process to determine what service performance information to report involved the intended users and what information they may find helpful to assess the service performance of the entity - lowering the risk of management bias.
- External requirements or agreements with external parties that influence the entity's service performance accountability.
- Whether the service performance information was pre-agreed with key stakeholders.
- Guidelines developed and issued collectively by a group or published in journals or results of benchmarking studies, for example, in the central government sector, central agencies may provide guidance or establish requirements for the preparation of service performance information. The assurance practitioner may need to evaluate the suitability of these guidelines to the entity's circumstances and how these align to intended users' needs. More detailed service performance reporting may be more appropriate.
- Whether an overly voluminous service performance report is detracting from the usefulness and relevance of the overall report.
- Whether the service performance report is complete.

A30. An entity may select service performance information to report on the basis that the selected performance is readily obtainable or measurable however it may not be the most relevant information to enable the user to understand or assess the service performance of the entity. (Ref: Para. 24(b))

A31. The assurance practitioner may consider whether: (Ref: Para. 24(c))

- The service performance information shows clear and logical links between the element/aspect of service performance to be measured or evaluated and the entity's overall purpose and strategies.
- There is other potentially more relevant service performance information that could have been used and reasons why those were not included.
- The entity has a clear understanding of its contribution toward longer term elements/aspects of service performance.
- The entity uses a well-established performance framework, theory of change or intervention logic model to explain how its service performance during the reporting period relates to its broader aims and objectives or may have described predetermined objectives or specific performance goals or targets in agreements with key stakeholders; for example, a local authority's Long-Term Plan, statement of intent, charter, recent plans and strategies or agreements with key funders. The selection of service performance information pre-agreed with key stakeholders may have a lower risk of management bias.
- The service performance information reflects how the entity assesses its service

performance for the purpose of internal decision making.

- A32. The potential for management bias directly correlates with the amount of consideration that the assurance practitioner may need to give to the appropriateness and meaningfulness of the service performance information. For example, the assurance practitioner may need to consider management bias when there are multiple measurement bases or evaluation methods possible to assess a performance measure. Also, there may be greater management bias when the measurement basis or evaluation method is internally generated rather than an external industry standard. (Ref: Para. 24(e))
- A33. Some service performance information that is more relevant for users, may be measured less precisely. The assurance practitioner may perform different review procedures than for those where the service performance can be more precisely measured. (Ref: Para. 24(e))
- A34. The assurance practitioner's consideration of the appropriateness and meaningfulness of service performance information may be an iterative process.

Materiality (Ref: Para. 25-29)

- A35. There can be significant variation in the service performance information selected and presented by entities. The assurance practitioner's understanding of the entity is important in determining what are the significant elements/aspects of the entity's service performance which are important to intended users of the service performance information.
- A36. Understanding what elements/aspects of service performance are significant to users may assist the assurance practitioner in focusing their review efforts and applying professional judgement when considering any misstatements identified.
- A37. The assurance practitioner's materiality considerations and determination of materiality is a matter of professional judgement. The requirements in paragraph 24, particularly the factors regarding relevance considered by the assurance practitioner in paragraphs A24 to A34, may assist the assurance practitioner to determine materiality considerations and/or materiality.
- A38. The applicable financial reporting framework may discuss the concept of materiality in the context of preparation and presentation of service performance information. Such a discussion may provide a frame of reference to the assurance practitioner in determining what is material. The assurance practitioner's consideration of the entity's process to select the elements/aspects of service performance, the performance measures and/or descriptions, and measurement bases or evaluation methods to use also provides context in determining materiality considerations and/or materiality.
- A39. The basis for materiality will likely differ from the financial statements. Materiality may be expressed in terms of the appropriate unit of account for each element/aspect of service performance or performance measure and/or description reported. The assurance practitioner is unlikely to be able to set an overall materiality because there is unlikely to be a common unit of account. It may be possible to group similar service performance measures and/or descriptions together and make materiality decisions on the same basis if they have the same unit of account.
- A40. The materiality considerations determine the assurance practitioner's tolerance for misstatement in relation to material service performance measures and/or descriptions.

Material misstatements may occur in both qualitative and quantitative service performance information. The assurance practitioner may need to exercise professional judgement beyond the traditional approach of applying a percentage to a chosen benchmark. In some instances, there may be no tolerance for error in some performance measures and/or descriptions.

A41. It is a matter of professional judgement whether the assurance practitioner's assessment of the significant elements/aspects of service performance and related material performance measures and/or descriptions required by paragraph 27(a) gives rise to a material misstatement.

A42. The assurance practitioner may firstly consider which elements/aspects of service performance are important to intended users. Having identified those, the assurance practitioner may then consider what are the material performance measures and/or descriptions that measure performance in those elements/aspects of service performance. A tolerance for misstatement is then applied by the assurance practitioner to material service performance measures and/or descriptions.

A43. The following factors may assist the assurance practitioner in applying materiality:

- The importance of the element/aspect of service performance to achieving the entity's service performance objectives. For example, whether the performance measure and/or description relates to the primary purpose of the entity. The more important the activity, the less tolerance for misstatement.
- How the information is presented. For example, does the presentation draw attention to particular information? The assurance practitioner may be less tolerant of misstatement in information that is given the most prominence.
- The extent of interest shown in particular aspects of service performance by, for example funders, key stakeholders or the public; and for example, whether the service performance information is likely to cause funders to increase or decrease funding in the entity. The higher the level of interest shown, the lower the tolerance for misstatement. For matters where there is the most significant interest, the assurance practitioner may be less accepting of misleading or inaccurate information.
- The economic, social, political and environmental effect of a project or an entity's work, where there is a high level of wider societal interest in it, particularly high levels of public sensitivity, or relate to an activity that could be a significant risk to the public.
- Whether a particular aspect of the service performance information is significant with regard to the nature, visibility and sensitivity of the information. For example, there has been a large number of complaints relating to it, or relates to an activity that is strongly linked to management performance rewards.
- The relative volatility of reported service performance information. For example, if service performance information varies significantly from period to period.
- The number of persons or entities affected.
- Where there is information about achieving a target or threshold, and the relationship of the actual performance to the target. For example, the assurance practitioner may be particularly diligent where a target has only just been achieved.

- Whether a misstatement is material having regard to the assurance practitioner's understanding of known previous communications to users.

Misstatements

A44. A misstatement may arise when:

- An element/aspect of service performance or performance measure or description, or a measurement basis or evaluation method selected is assessed by the assurance practitioner as not being appropriate and meaningful;
- An element/aspect of service performance or performance measure and/or description is omitted that is assessed by the assurance practitioner as being appropriate and meaningful;
- The information is not prepared in accordance with the entity's measurement basis or evaluation method;
- The entity's service performance information is not in accordance with the applicable financial reporting framework.

A45. An individual misstatement, impacting a single element/aspect of service performance, performance measure and/or description, may be material.

A46. A number of misstatements, when observed collectively across the service performance information, may also be material if they amount to a misleading portrayal of the entity's service performance information. Even though taken individually, each service performance measure and/or description may not be materially misstated, the assurance practitioner needs to consider whether the service performance information as a whole is materially misstated.

A47. It is unlikely that the assurance practitioner will be able to aggregate misstatements numerically. However, this does not remove the need for the assurance practitioner to form a conclusion as to whether uncorrected misstatements are material individually or collectively, as required by paragraph 29.

A48. The assurance practitioner exercises professional judgement to conclude on the impact of any material misstatement on the conclusion. The assurance practitioner may consider factors such as whether the misstatement impacts a significant element/aspect of service performance and whether it is likely to influence the decisions of the intended users.

A49. Examples of factors that may lead to a material misstatement, include:

- Misuse of language – that creates a misleading picture of the entity's performance.
- Misleading presentation – which highlights or downplays aspects of performance, to create a misleading picture of the entity's service performance.
- Bias – an emphasis is placed on good performance and downplays or omits poor performance i.e., isn't neutral.
- Omission of fact – something is left out that may be important to understanding the entity's service performance or is important to intended users.
- Incorrect measurement or evaluation – the service performance measure isn't prepared in accordance with the measurement basis or evaluation method selected by the entity.

- Where quantifiable service performance information misstates the level of actual performance beyond a determined level (the traditional application of materiality).
- Misstatement of fact.
- Misrepresentation of trend – performance presented does not represent the facts available.
- Unsubstantiated claims.

Designing and Performing Procedures (Ref: Para. 30-35)

- A50. Service performance information may not come directly from traditional financial reporting information systems and source records. Nevertheless, the entity will need an accurate record keeping system that provides relevant and reliable evidence. The assurance practitioner may find it more challenging and need to think differently than for traditional financial reporting to obtain relevant and reliable evidence.
- A51. The mix of procedures to be performed may vary compared with the mix used in regard to the financial statements, but the mix of procedures used does not alter the level of evidence required.
- A52. In a review, the assurance practitioner performs primarily enquiry and analytical procedures. However, the nature of service performance information reported may have an effect on the mix of procedures used. For example, due to the nature of the service performance information analytical procedures may not be relevant and so another substantive procedure may be more appropriate.
- A53. The fact that the assurance practitioner may deem it necessary to perform other procedures does not alter the assurance practitioner's objective of obtaining limited assurance in relation to the service performance information.
- A54. The assurance practitioner's consideration of whether data to be used for analytical procedures are satisfactory for the intended purpose(s) of those procedures is based on the assurance practitioner's understanding of the entity and its environment and is influenced by the nature and source of data, and by the circumstances in which the data are obtained. The following considerations may be relevant:
- Source of the information available. For example, information may be more reliable when it is obtained from independent sources outside the entity.
 - Nature and relevance of the information available. For example, what is the proximity of the information to the effect being reported.
 - The knowledge, expertise and any related controls involved in the preparation of the information.
- A55. In designing analytical procedures, the assurance practitioner may be able to identify relationships between the service performance information and the financial information as a sense check that the financial and service performance information are reflecting a consistent report of the performance of the entity. For example, does the movement in fuel expense in the financial statements reflect the number of home visits reported.
- A56. When the assurance practitioner is engaged to review the service performance information of a group of entities, the planned nature, timing and extent of the

procedures for the review are directed at achieving the assurance practitioner's objectives for the review engagement stated in this NZ SRE, but in the context of the group service performance information.

Use of Work Performed by Others (Ref: Para. 37-38)

A57. The assurance practitioner may use the work of an individual or organisation possessing expertise in a field other than accounting or assurance, whose work in that field is used by the entity to assist the entity in preparing the service performance information (a management's expert). Examples may include a professional survey firm conducting a perception questionnaire or satisfaction survey, or preparing a water quality report.

Written Representations (Ref: Para. 39)

A58. An illustrative written representation letter is set out in Appendix 2.

Evaluating the Evidence Obtained (Ref: Para. 40)

A59. What constitutes sufficient appropriate evidence is a matter of professional judgement. The assurance practitioner may need to identify alternative sources of evidence not normally considered for reviews of financial information.

Forming the Assurance Practitioner's Conclusion on the Service Performance Information (Ref: Para. 41-48)

A60. The measurement bases or evaluation methods used to assess a performance measure and/or description need to be made available to intended users to allow them to understand how the underlying service performance information has been measured or evaluated.

A61. The measurement bases or evaluation methods may be made available to the intended users in one or more ways, for example:

- (a) Publicly, for example, readily available documents such as a published external assessment framework on a website.
- (b) Through inclusion in a clear manner in the presentation of the service performance information, in particular for entity-developed measurement bases or evaluation methods.
- (c) Through inclusion in a clear manner in the description of the performance measure and/or description itself, for example, number of meals delivered.
- (d) By general understanding, for example, the method of measuring time in hours and minutes. The assurance practitioner may consider whether it is clear what the time is measuring. For example, an entity may measure its response time to an outage but will need to be clear as to whether the response time is measured from when a call is lodged, or measures the time taken to address a fault from when someone arrives to address the fault.

Form of the Conclusion

Modified Conclusion (Ref: Para. 47)

A62. In those circumstances where the assurance practitioner concludes that the service performance information is not presented fairly 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 service performance information or whether to modify the conclusion on both the service performance information and the financial statements. In many instances, a modified conclusion in respect of the service performance information will not impact upon the conclusion on the financial statements.

The Assurance Practitioner's Report (Ref: Para. 49-54)

A63. The assurance practitioner's report includes references to the service performance information. An illustrative Assurance Practitioner's Report that includes references to the service performance information is set out in Appendix 3.

A64. Illustrations of Assurance Practitioner's Reports with Modified Conclusions with respect to Service Performance Information are set out in Appendix 4.

Scope Limitation (Ref: Para. 52)

A65. Inability to perform a specific procedure does not constitute a limitation on the scope of the review if the assurance practitioner is able to obtain sufficient appropriate evidence by performing other procedures.

A66. Limitations on the scope of the review imposed by management may have other implications for the review, such as for the assurance practitioner's consideration of areas where the service performance information is likely to be materially misstated, and engagement continuance.

Communication with Management and Those Charged with Governance (Ref: Para. 55)

A67. The assurance practitioner is encouraged to communicate with management or as appropriate, with those charged with governance early or as soon as practicable.

A68. The assurance practitioner may communicate the following matters in relation to the review of service performance information:

- (a) Any uncorrected misstatements identified during the review of the service performance information;
- (b) The assurance practitioner's views about significant judgements made in reporting the entity's service performance information, if applicable, including any areas for improvement;
- (c) Significant difficulties, if any, encountered during the review, for example, extensive unexpected effort required to obtain sufficient appropriate evidence or the unavailability of expected information.
- (d) Unless all of those charged with governance are involved in managing the entity, significant matters arising during the review that were discussed, or subject to correspondence with management, such as, matters that were pervasive to the service performance information, biases in the performance measures and/or descriptions, for example, questions in a survey articulated to drive a particular result; and
- (e) Any other matters in respect of the service performance information that, in the assurance practitioner's professional judgement, management and those charged with governance, as appropriate, need to be aware of.

A69. The assurance practitioner's views on the judgemental areas of reporting the entity's service performance may be particularly relevant to those charged with governance in discharging their responsibilities for the preparation of the service performance information. For example, why the assurance practitioner considers the service performance information not to be appropriate and meaningful. Open and constructive communication including feedback on the maturity of the entity's process to prepare the service performance information, the service performance information selected by the entity or how the information compares to other entities may drive improvements over time. This may include comments about, for example, judgemental aspects of what service performance information to report on, concerns regarding management bias or the quality of the presentation of the information.

Illustrative Review Engagement Letter including Service Performance Information¹¹

The following is an example of a review engagement letter for a review of a [*financial report/ performance report*], which comprise financial statements and service performance information [*and entity information*]. It is assumed in this illustration that the applicable financial reporting framework is a fair presentation framework. 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 and NZ SRE 1. It will need to be varied according to individual requirements and circumstances. It may be appropriate to seek legal advice that any proposed letter is suitable.

To [*Those Charged with Governance*]:

[*The objective and scope of the review*]

You¹² have requested that we review the [*financial report/ performance report*] of [*ABC Entity (the “entity”)*], which comprise the financial statements, and the service performance information [, *and entity information*]. The complete set of financial statements comprise the statement of financial position as at December 31, 20X3¹³, [*the statement of comprehensive revenue and expense, statement of financial performance, statement of changes in net assets/equity*], and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. 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 [*financial report/ performance report*].

[*The assurance practitioner’s responsibilities*]

We will conduct our review of the financial statements in accordance with International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400 *Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity* and the review of the service performance information [, *and entity information*] in accordance with the New Zealand Standard on Review Engagements (NZ SRE) 1 *Review of Service Performance Information*. Those standards require us to conclude whether anything has come to our attention that causes us to believe that the [*financial report/ performance report*] does not present fairly, in all material respects, the financial position, financial performance and cashflows of the entity, [*the entity information*], and the service performance information in that the service performance information is appropriate and meaningful and prepared in accordance with the entity’s measurement bases or evaluation methods, in accordance with [*the applicable financial reporting framework*].

¹¹ May also be referred to as the Statement of Service Performance.

¹² Throughout this letter, references to “you,” “we,” “us,” “management,” “those charged with governance” and “assurance practitioner” would be used or amended as appropriate in the circumstances.

¹³ Where the assurance practitioner reports on more than one period, the assurance practitioner adjusts the date so that the letter pertains to all periods covered by the assurance practitioner's report.

Those standards also require that we comply with relevant ethical requirements.

A review of the [*financial report/ performance report*] in accordance with ISRE (NZ) 2400 and NZ SRE 1 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, as we consider necessary in the circumstances, other procedures, and evaluate the evidence obtained. We will also perform additional procedures if we become aware of matters that cause us to believe the [*financial report/ performance report*] as a whole may be materially misstated. These procedures are performed to enable us to express our conclusion on the [*financial report/ performance report*] in accordance with ISRE (NZ) 2400 and NZ SRE 1. The procedures selected will depend on what we consider necessary applying our professional judgement, based on our understanding of the entity and its environment, and our understanding of the applicable financial reporting framework and its application in the industry context.

A review is not an audit of the [*financial report/ performance report*], therefore:

- (a) There is a commensurate higher risk than there would be in an audit, that any material misstatements that exist in the [*financial report/ performance report*] reviewed may not be revealed by the review, even though the review is properly performed in accordance with ISRE (NZ) 2400 and NZ SRE 1.
- (b) In expressing our conclusion from the review of the [*financial report/ performance report*], our report on the performance report will expressly disclaim any audit opinion on the [*financial report/ 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 the preparation, and fair presentation of the [*financial report/ performance report*] in accordance with [*the applicable financial reporting framework*];
- (b) For the selection of elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods that present service performance information that is appropriate and meaningful and, in accordance with [*the applicable financial reporting framework*];
- (c) For the preparation of service performance information in accordance with the entity's measurement bases or evaluation methods, in accordance with [*the applicable financial reporting framework*];
- (d) For the overall presentation, structure and content of the service performance information in accordance with [*the applicable financial reporting framework*];
- (e) For such internal control as [*Those Charged with Governance*] determine is necessary to enable the preparation of the [*financial report/ performance report*] that is free from material misstatement, whether due to fraud or error; and
- (f) 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 [*financial report/ performance report*] such as records, documentation and other matters;

- (ii) Additional information that we may request from [*management or [Those Charged with Governance]*] 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 team 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 [*financial report/ performance report*] including our respective responsibilities.

[*Signature in the name of the assurance firm, the personal name of the assurance practitioner, or both, as appropriate*]

Acknowledged and agreed on behalf of [*Those Charged with Governance*] of [*ABC Entity*] by
(signed)

.....

Name and Title

Date

Illustrative Representation Letter including Service Performance Information¹⁴

The following illustrative representation letter includes written representations that are required by ISRE (NZ) 2400 and NZ SRE 1. It is to be used as a guide only and will need to be modified according to the engagement requirements and circumstances.

Representations by management, or where appropriate, those charged with governance¹⁵, will vary between entities and reporting periods. Representation letters are ordinarily useful where evidence, other than that obtained by enquiry, may not be reasonably expected to be available or when management, or where appropriate, those charged with governance have made oral representations which the assurance practitioner wishes to confirm in writing.

It is assumed in this illustration that the applicable financial reporting framework is a fair presentation framework, and that there are no exceptions to the requested written representations. If there were exceptions, the representations would need to be modified to reflect the exceptions.

(Entity Letterhead)

(To Assurance Practitioner)

(Date)

This representation letter is provided in connection with your review of the [*financial report/ performance report*] of [*ABC Entity (the “entity”)*] for the year ended December 31, 20X3¹⁶ for the purpose of expressing a conclusion as to whether anything has come to your attention that causes you to believe that the accompanying [*financial report/ performance report*] does not present fairly, in all material respects:

- [the entity information as at December 31, 20X3;]
- the financial position of the entity as at December 31, 20X3, and its financial performance, and its cash flows for the year then ended; and
- the service performance for the year ended December 31, 20X3 in that the service performance information is appropriate and meaningful and prepared in accordance with the entity’s measurement bases or evaluation methods

in accordance with [*the applicable financial reporting framework (e.g.: Reporting Requirements for Tier 3 Not-for-Profit Entities)*] issued by the New Zealand Accounting Standards Board.

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*):

[Financial Report/ Performance Report]

- We have fulfilled our responsibilities on behalf of the entity, as set out in the terms of the review engagement dated [*insert date*], for:

¹⁴ May also be referred to as the Statement of Service Performance.

¹⁵ Use terminology as appropriate in the circumstances.

¹⁶ Where the assurance practitioner reports on more than one period, the assurance practitioner adjusts the date so that the letter pertains to all periods covered by the assurance practitioner’s report.

- The preparation, and fair presentation of the [*financial report/ performance report*] in accordance with [*the applicable financial reporting framework*];
- The selection of elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods that present service performance information that is appropriate and meaningful, in accordance with [*the applicable financial reporting framework*];
- The preparation of service performance information in accordance with the entity's measurement bases or evaluation methods, in accordance with [*the applicable financial reporting framework*];
- The overall presentation, structure and content of the service performance information in accordance with [*the applicable financial reporting framework*]; and
- Such internal control as [*Those Charged with Governance*] determine is necessary to enable the preparation of the [*financial report/ performance report*] that is free from material misstatement, whether due to fraud or error.
- [*Any other matters that the assurance practitioner may consider appropriate (see paragraph A105 of ISRE (NZ) 2400).*]

Information Provided

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the [*financial report/ performance report*] such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the review; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain evidence.
- 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;
 - All significant facts relating to any frauds or suspected frauds known to us that may have affected the entity;
 - All known actual or possible non-compliance with laws and regulations for which the effects of non-compliance affect the entity's [*financial report/ performance report*];
 - All information relevant to use of the going concern assumption in the [*financial report/ performance report*];
 - That all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure, have been adjusted or disclosed;
 - Material commitments, contractual obligations or contingencies that have affected or may affect the entity's financial statements, including disclosures;

- Material non-monetary transactions or transactions for no consideration undertaken by the entity in the financial reporting period under consideration; and
- [*Any other matters that the assurance practitioner may consider appropriate (see paragraph A105 of ISRE (NZ) 2400).*]

Signed on behalf of [*Those Charged with Governance*]¹⁷ of [*ABC Entity*] by

(signed)

.....

Name and Title

(signed)

.....

Name and Title

¹⁷ The addressees and references in the letter would be those appropriate in the circumstances of the engagement.

Illustrative Assurance Practitioner’s Review Report including Service Performance Information¹⁸

Illustration 1: Illustrative Assurance Practitioner’s Review Report

Circumstances include the following:

- **Review of a [financial report/ performance report] of a public benefit entity that is not a group.**
- **The [financial report/ performance report] is prepared in accordance with a fair presentation framework.**
- **The terms of the review engagement reflect the description of the responsibility of those charged with governance for the [financial report/ performance report].**
- **The assurance practitioner has concluded an unmodified (i.e., “clean”) conclusion is appropriate based on the evidence obtained.**
- **The assurance practitioner has no other reporting responsibilities required under local law.**

Reference should be made to ISRE (NZ) 2400 to ensure that the requirements of ISRE (NZ) 2400 have been met.

INDEPENDENT ASSURANCE PRACTITIONER’S REVIEW REPORT

[Appropriate Addressee]

We have reviewed the accompanying [financial report/ performance report] of [ABC Entity (the “entity”)], which comprise the financial statements on pages *x to xx*, and the service performance information on pages *x to xx* [, and entity information on page *x*]. The complete set of financial statements comprise the statement of financial position as at December 31, 20X3, and [the statement of comprehensive revenue and expense, statement of financial performance, statement of changes in net assets/equity], and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

Responsibilities of [Those Charged with Governance]¹⁹ for the [Financial Report/ Performance Report]

[Those Charged with Governance] are responsible on behalf of the entity for:

- The preparation, and fair presentation of the [financial report/ performance report] in accordance with the applicable financial reporting framework;
- The selection of elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods that present service performance information that is appropriate and meaningful, in accordance with [the applicable financial reporting framework];

¹⁸ May also be referred to as the Statement of Service Performance.

¹⁹ Use the term that is appropriate in the context of the engagement.

- The preparation of service performance information in accordance with the entity's measurement bases or evaluation methods, in accordance with [*the applicable financial reporting framework*];
- The overall presentation, structure and content of the service performance information in accordance with [*the applicable financial reporting framework*]; and
- Such internal control as [*Those Charged with Governance*] determine is necessary to enable the preparation of the [*financial report/ performance report*] that is free from material misstatement, whether due to fraud or error.

Assurance Practitioner's Responsibilities

Our responsibility is to express a conclusion on the [*financial report/ performance report*]. We conducted our review of the financial statements in accordance with International Standard on Review Engagements (New Zealand) (ISRE (NZ)) 2400, *Review of Historical Financial Statements Performed by an Assurance Practitioner who is not the Auditor of the Entity*, and [*entity information and*] service performance information in accordance with the New Zealand Standard on Review Engagements (NZ SRE) 1 *Review of Service Performance Information*. Those standards require us to conclude whether anything has come to our attention that causes us to believe that the [*financial report/ performance report*], taken as a whole, does not present fairly, in all material respects, the financial position, financial performance and cashflows of the entity, [*the entity information*], and the service performance information in that the service performance information is appropriate and meaningful and prepared in accordance with the entity's measurement bases or evaluation methods, in accordance with [*the applicable financial reporting framework*].

Those standards also require that we comply with relevant ethical requirements.

A review of the [*financial report/ performance report*] in accordance with ISRE (NZ) 2400 and NZ SRE 1 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures and, as we considered necessary in the circumstances, other procedures; and evaluate the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with auditing standards issued by the External Reporting Board. Accordingly, we do not express an audit opinion on the [*financial report/ performance report*].

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying [*financial report/ performance report on pages x to xx*] does not present fairly, in all material respects:

- the financial position of the entity as at December 31, 20X3, and its financial performance, and its cash flows for the year then ended; and
- [*the entity information as at December 31, 20X3; and*]
- the service performance for the year ended December 31, 20X3 in that the service performance information is appropriate and meaningful and prepared in accordance with the entity's measurement bases or evaluation methods

in accordance with [*the applicable financial reporting framework (e.g.: Reporting Requirements for Tier 3 Not-for-Profit Entities)*] issued by the New Zealand Accounting Standards Board.

[*Signature in the name of the assurance firm, the personal name of the assurance practitioner, or both, as appropriate*]

[*Assurance practitioner's address*]

[*Date*]

Illustrations of Assurance Practitioner’s Reports with Modified Conclusions with respect to Service Performance Information

Illustration 1: Qualified conclusion on service performance information – the assurance practitioner is unable to obtain sufficient appropriate evidence.

Illustration 2: Qualified conclusion on both the financial statements and the service performance information – the assurance practitioner is unable to obtain sufficient appropriate evidence about a single element of the financial statements.

The following examples of extracts from modified assurance practitioner’s report 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.

Illustration 1: Qualified conclusion on service performance information – the assurance practitioner is unable to obtain sufficient appropriate evidence.

...

Basis for Qualified Conclusion on the Service Performance Information

Supporting records for the [*significant activities undertaken*] were not readily available and we were unable to perform alternative procedures. Consequently, we have been unable to obtain sufficient appropriate evidence to support the reported [*significant activities undertaken*] and we are unable to determine whether any adjustments to these amounts are necessary.

Qualified Conclusion on the Service Performance Information

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion on the Service Performance Information paragraph, nothing has come to our attention that causes us to believe that the accompanying [*financial report/ performance report*] does not present fairly, in all material respects the accompanying the service performance for the year ended December 31, 20X3:

- in that the service performance information is appropriate and meaningful and prepared in accordance with the entity’s measurement bases or evaluation methods in accordance with [*the applicable financial reporting framework*] issued by the New Zealand Accounting Standards Board.

Conclusion on the [Entity Information and the] Financial Statements

Based on our review, nothing has come to our attention that causes us to believe that the accompanying [*financial report/ performance report*] does not present fairly, in all material respects:

- [the entity information as at December 31, 20X3; and]
- the financial position of the entity as at December 31, 20X3, and its financial performance, and its cash flows for the year then ended

in accordance with [*the applicable financial reporting framework*] issued by the New Zealand Accounting Standards Board.

...

Illustration 2: Qualified conclusion on both the financial statements and the service performance information – the assurance practitioner is unable to obtain sufficient appropriate evidence about a single element of the financial statements, which is also reported as service performance information.

...

Basis for Qualified Conclusion

As outlined on page xx of the [*financial report/ performance report*], entity has not applied the requirements of the applicable financial reporting framework to its grant expenditure. We have been unable to obtain sufficient appropriate evidence to quantify the effects of this limitation. As a result of this matter, we were unable to quantify the adjustments that are necessary in respect of grant expenditure in the [*statement of comprehensive revenue and expense*]; assets, liabilities and equity in the statement of financial position, [*total comprehensive revenue and expense and opening and closing equity in the statement of changes in equity*] and grants expense reported in the service performance information.

Qualified Conclusion

Based on our review, except for the possible effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe the accompanying [*financial report/ performance report*] does not present fairly, in all material respects:

- [the entity information as at December 31, 20X3;]
- the financial position of the entity as at December 31, 20X3, and its financial performance, and its cash flows for the year then ended; and
- the service performance for the year ended December 31, 20X3 in that the service performance information is appropriate and meaningful and prepared in accordance with the entity's measurement bases or evaluation methods

in accordance with [*the applicable financial reporting framework*] issued by the New Zealand Accounting Standards Board.