

## NZAuASB Board Meeting Agenda

Wednesday, 12 June 2024

8:30 am to 1.00 pm, [Virtual Click here to join the meeting](#)

Apologies: None

8.45am	<b>1</b>	<b><u>Board Management</u></b>				
	1.1	Action list	Approve	Paper	3	
	1.2	Chair's report	Note	Verbal		
	1.3	AUASB Update	Note	Verbal		
	1.4	Update from CE	Note	Verbal		
	1.5	National Standard setters meeting report	Note	Paper		3
9.15am	<b>2</b>	<b><u>NZAuASB work plan</u></b>				<i>MP</i>
	2.1	Summary paper	Note	Paper	4	
	2.2	Summary slides	Consider	Paper	5	
	2.3	Prioritisation schedule 2023/24	Consider	Paper		8
	2.4	Prioritisation schedule 2024/25	Consider	Paper		11
	2.5	Outline of possible NZAuASB meeting agendas	Consider	Paper		14
9.45am	<b>3</b>	<b><u>Environmental scanning</u></b>				AH
	3.1	International Update	Note	Paper	10	
	3.2	Domestic Update	Note	Paper	14	
	3.3	Update for XRB Board	Note	Paper	16	
10.00am	<i>Morning tea</i>					
10:15am	<b>4</b>	<b><u>ISA (NZ) for LCE</u></b>				BM
	4.1	Summary paper	Note	Paper	26	
	4.2	Issues paper: Authority	Consider	Paper	29	
	4.3	Issues paper: Part 11	Consider	Paper	33	
	4.4	Draft standard	Consider	Paper	41	
	4.5	Authority of the ISA (NZ) for LCE	Note	Paper		15
	4.6	Overview on the drafting of the standard	Note	Paper		20
	4.7	Background to development of Part 11	Note	Paper		24
	4.8	Mapping document: Requirements	Note	Paper		25
	4.9	Mapping document: Application Material/EEM	Note	Paper		55
	4.10	International update on the ISA for LCE	Note	Paper		78
11:45pm	<b>5</b>	<b><u>Monitoring of climate reporting and assurance</u></b>				KT
	5.1	Summary paper	Note	Paper	218	
12noon	<b>6</b>	<b><u>Impact of IFRS 18 changes on ISAs (NZ)</u></b>				AH
	6.1	Summary paper	Note	Paper	220	

	6.2	Draft Amending Standard	Approve	Paper	223	
	6.3	Draft Signing Memorandum	Approve	Paper	240	

**Next meeting:** 7 August 2024, In person

**DATE:** 11 May 2024

**FROM:** Misha Pieters

**SUBJECT:** **National Standard Setting Meeting**

**Purpose:** To update the Board on **key areas of interest** as discussed at the National Standard Setters (NSS) meetings in May 2024.

**Importance:** The key areas of **strategic importance** are summarised below.

**Action:** To **NOTE** the update.

**Introduction**

1. April Mackenzie and Misha Pieters attended the in-person NSS meetings in New York. This was the first in person NSS meetings since 2019. It was good to be in person with opportunities to explore matters offline rather than join remotely in the middle of the night.
2. The new staff-led model was in operation with the standard setting boards’ (SSBs) staff leading the discussions rather than the task force chairs.

**Key areas of strategic importance to the XRB**

3. Discussions of key interest and of strategic importance to the XRB include:

<b>Topic</b>	<b>Impact/urgency</b>
Collaboration	The NSS discussed forming a sub-group of NSS to develop a structured approach to collaboration with the IAASB. Australia and New Zealand may work together to assist the IAASB on its project to revise ISRE 2410, on interim review engagements. More work is needed to understand what this involves, and how such a model might work.
Jurisdictional developments	The timing and approach to maintaining the ISA for LCE was flagged. This is a risk for the XRB. We have sought clarity on when a decision will be made on when and how this maintenance will occur going forward.
Sustainability	Global settings are still emerging. Establishing new or broader assurance oversight regimes is a challenge to opening the regime to a broad range of practitioners. Developing non-authoritative guidance is an area where NSS may collaborate.
Collective investment vehicles (CIVs)	The IESBA are exploring whether the independence considerations for “related entities” are appropriate for the various structures of CIVs. We will explore these matters in more detail in the New Zealand context.

4. The Appendix provides further detail on the discussions.

## **Appendix**

1. While in New York we also took time to meet with Paul Munter, Chief Accountant at the US Securities and Exchange Commission (SEC) to explore latest developments in the SEC's climate reporting and assurance rules, which are now tied up in legal challenge.
2. We also had a dinner with IESBA Chair, Gabriela Figueiredo Dias, and IESBA Director Ken Siong, to ensure that the XRB's position and New Zealand sustainability reporting and assurance context is fully understood by the IESBA.
3. We also observed the inaugural meeting of a new Stakeholder Advisory Council established to provide strategic input to the IAASB and IESBA.

## **IAASB NSS meeting**

### ***Evolving Collaboration***

4. The discussion focused on evolving collaboration. It was agreed that a subgroup of IAASB NSS be established to refine the objectives of the group and to set up a structured approach to collaboration to leverage from each other given limited resources.
5. Australia and New Zealand expressed an interest to work with the IAASB on a project to update the standard on interim reviews, ISRE 2410. We will explore how this might work and the timeline in more detail, once it is clearer what problems the revision is trying to solve.

### ***Jurisdictional developments***

6. Ahead of the meeting, each NSS documented and shared the key developments from their respective jurisdiction. Key themes emerged around the implementation of recently revised standards, the ISA for Less Complex Entities (LCE) and sustainability assurance. This collation of developments can be shared if any board member is interested in the details.
7. The ISA for LCE discussion highlighted risks for the XRB's planned adoption of the standard, as many signaled, they did not intend to adopt the standard, e.g. Canada, Australia and the AICPA. A key concern was the risk of the perception of a two-tier audit. It is emerging that the ISAs are now being described as "for complex entities" and is causing confusion around the scalability of the ISAs. However, jurisdiction specific audit settings, use of reviews or compilations for less complex entities is another reason why use of the standard is not needed for some countries. Some have concern around the approach to groups where component auditors are involved and service organizations. Others signaled a "wait and see" approach.
8. The early adopters of ISA for LCE appear to come from parts of Europe, Brazil and parts of Asia, including Hong Kong. The question of the maintenance of the ISA for LCE was raised. While the IAASB has agreed to a three-year period of stability, and are committed to the maintenance of the standard, they have not yet determined how the ISA for LCE will be maintained in the long term. (i.e. will it be done periodically, with periods of differences from the ISAs, or will the updates be developed in tandem). This is a risk to the XRB adopting the standard and we have sought clarification before the XRB commits to adopting the standard.
9. Sustainability developments highlighted an environment that is still emerging. A few jurisdictions are exploring if or how to include a broad range of practitioner, however setting up new oversight regimes is a challenge, with some jurisdictions requiring the use of the financial statement auditor until the oversight issue can be resolved. Japan is another jurisdiction working to keep the market open to all practitioners. In Europe, many NSS have

developed interim guidance in addition to ISAE 3000 in preparation for the CSRD requirements while awaiting a decision from the EU Commission as to whether assurance requirements will be based on ISSA 5000, *General Requirements for Sustainability Assurance Engagements* for limited assurance. This determination will be a key driver for whether ISSA 5000 is adopted.

### ***Sustainability assurance***

10. The IAASB staff reported the key issues discussed by the IAASB at its March meeting to gain NSS views on the direction of changes to be made to finalise ISSA 5000 in September 2024:
  - a. The majority of NSS were supportive of the plan to sunset ISAE 3410 on greenhouse gas emissions. This remains an issue for the XRB to consider.
  - b. Several NSS expressed concern at the granularity of the new risk assessment requirements being included for limited assurance.
  - c. Various views are held on the “at least as demanding” approach for quality management and ethics, with many citing the need for an even playing field.
  - d. There was encouragement for the IAASB and the IESBA to continue to work to align the approach on definitions and groups and value chain.
  - e. The importance of implementation support to assist including: examples of illustrative assurance reports and on limited and reasonable assurance was highlighted as an area where NSS could assist and co-ordinate.

### ***Technology***

11. The discussion explored a technology position statement to inform the IAASB’s technology roadmap. To date the IAASB’s approach has been described by some as “technology agnostic” and the IAASB is exploring whether this should be more encouraging or permissive. NSS discussed the increasing use of technology by entities and associated risks to audit, the increasing use of technology by audit firms and whether the standards remain fit for purpose. The importance of guardrails to ensure appropriate use of technology was highlighted.

### ***Risk response***

12. IAASB staff have identified issues from practice from a need to align with enhanced risk assessment requirements in ISA 315 (Revised 2019)<sup>1</sup>, issues of alignment with the draft revisions to ISA 500<sup>2</sup>, addressing the use of technology in responding to risks and enhancing work effort relating to internal controls. The discussion highlighted that it was not clear which of the issues are standard issues versus issues with implementation. We encouraged the IAASB to be clear on what problem they are trying to solve in this project before determining whether changes to the standards are the appropriate mechanism.

### ***Audit evidence***

13. The IAASB staff presented an overview of the key themes received on the exposure draft and proposed responses by the IAASB given the feedback. The project to revise ISA 500 is on hold until the technology position statement and roadmap have been developed.

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<sup>1</sup> ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatements

<sup>2</sup> ISA 500, Audit Evidence

14. The discussion focused on changes to reflect a spectrum approach to considering the attributes of relevance and reliability with a threshold that emphasizes the need to consider all attributes, but focus on those that are of most importance to meet the purpose of the audit procedure. In addition, all attributes of reliability (not just accuracy and completeness) have been elevated to the requirement to perform audit procedures when of significance. The NSS discussion reflected some concern at the circularity of the requirements, but general support for the direction of the revisions.

#### **Joint meeting of the IAASB and the IESBA**

15. The joint IAASB/IESBA agenda included an update from the PIOB Chair, Linda de Beer, on embedding the monitoring group reforms and an update on funding. This session was limited in time and did not enable any questions or time for discussion.
16. The new structure established to move the standard setting bodies outside of IFAC, including: trustees, the PIOB and the new International foundation of Ethics and Audit (IFEA), is complex, e.g., dual chief executives by the chair of the IAASB and the IESBA. The funding model is still unresolved with the aim to decrease reliance on funding from the profession.

#### **IESBA NSS discussions**

##### **Jurisdictional developments**

17. The discussion included a round the table overview of jurisdictional developments of international relevance, reflecting the status of adoption of changes to the Code including for Non-assurance services, fees, definition of public interest entity, and engagement team and group audits revisions. The sustainability developments also highlighted an environment that is still emerging.

##### **Firm Culture and Governance**

18. The NZAuASB received a presentation from Channa Wijesinghe, APESB Chair and IESBA working group chair on this project at its April meeting. The NSS received a similar update and shared views on this new work stream. NSS representatives expressed general support for the project. It was noted that in jurisdictions where recent scandals have prevailed, the existing Code has stood up well.
19. April Mackenzie expressed support for the areas that are being explored but encouraged the IESBA to then be clear on what problems they are trying to solve before trying to find solutions. It was also highlighted that there may be overlap with the IAASB's Quality Management standards, and encouragement for the IESBA and the IAASB to co-ordinate on this project and avoid setting performance standards through the Code. Japan highlighted that they have requirements for firm structures and transparency reporting.
20. It was highlighted that assurance over sustainability reporting will involve the firms opining on governance, and therefore it is increasingly important for the firms to "walk the talk".

##### **Collective investment vehicles (CIVs), pension funds and investment company complexes**

21. The IESBA staff are exploring the various structures of CIVs that differ around the world. The objective is not linked to the definition of a public interest entity but for the purposes of exploring whether the independence considerations for "related entities" are appropriate for these various structures. Under certain structures a third party trustee who provides management functions or oversight may not be treated as a related entity. The CIV may not

have any employees, a related entity may have control over the investment decisions or use their powers to affect the amount of return. The AICPA provided an overview of developments in the US, where they have expanded the definition of a “affiliate”, deeming the advisor to have control over the fund, if it is material. The APESB in Australia, has also given input in the context of different legal structures, where the trustee is a separate legal entity to the CIV. We understand the New Zealand position is closer to the Australian arrangements.

22. NSS feedback expressed support for the project to explore the issues but provided a cautionary note, not to go beyond individual jurisdictional structures. It was noted that this could have unintended knock on consequences, e.g.. over other venture capital structures. Questions were raised about whether the IESBA staff are also considering the decumulation phase, rather than just the accumulation phase.

### **Ethics and technology**

23. The IESBA staff recapped the work of the IESBA technology working group, which continues to monitor developments in Cyber Security, artificial intelligence, cloud computing, block chain and digital assets. The IESBA plan to release short interviews with experts on key aspects and continue to provide non-authoritative guidance in the “Exploring the IESBA Code” series.

### **Sustainability related projects**

24. Given the consultation period was still open, the objective of this agenda was to gain views from NSS on what non-authoritative guidance would be needed to support the revisions to the Code on sustainability related matters. However, many NSS used the opportunity to highlight issues related to the proposals. Time was however very limited.
25. The IESBA staff described the significant work effort that has gone on over many months to work with the IAF, building understanding of what the various requirements mean and working to map the “two worlds”. This work culminated in the announcement of the strategic partnership between the IAF and the IESBA, with the IAF committing to adopt the IESSA for specific Programmes, as previously communicated to the NZAuASB. This recognizes that there were differences and gaps identified in the mapping process.
26. April Mackenzie commended the IESBA on their work with IAF, highlighting that this is a significant first step to establish profession agnostic standards. We encouraged the IESBA to continue to work with the IAF to build understanding to assist with adoption.

### **AIPCA’s project on private equity investment in accounting firms**

27. The AICPA presented on the work of their Professional Ethics Executive Committee regarding the private equity investment in accounting firms. This work is focused on determining whether the increase in private equity investments in public accounting firms creates a need to revise the Code or issue guidance. Auditor independence is critical to consider when contemplating an audit firm restructure. The presentation explored various structures and the independence considerations where a private equity firm has significant influence over the non-attest entity or a controlling interest in the non-attest entity, exploring whether attest services can be provided to portfolio companies and or non-attest service to attest clients could be provided, and the implications for the global network firm. This was a fascinating, if not overwhelming presentation, given the complexities of the structures involved.

## 2023/24 Prioritisation Plan (updated June)

Domestic Project	2023/2024 planned action	Resource	Priority	Key deliverable	Due date
Assurance engagements over greenhouse gas emission disclosures	Issue standard	Available	High	<a href="#">Standard</a>	Issued Aug 23
	Issue implementation guidance			<a href="#">Guidance</a>	H2 2023
XRB strategy for sustainability assurance	Monitor decision on scope of assurance. Engage with stakeholders on what assurance might look like for NZ. Develop project plan accordingly.	To manage	High	Defer – agreed Dec	TBD.
Monitor assurance of climate statement/GHG/impact of climate on financial statements and KAMs	First reporting Dec 23 – see who is assuring what and what can we learn. Refer agenda 5.	To manage	TBD	Snapshot	June 2024
Audit of Service Performance Information	Issue revised standard	Available	High	<a href="#">Standard</a>	Issued July 23
	Implementation guidance to support first time adoption	Available	Medium	<a href="#">guidance</a>	Oct 2024
Review of Service Performance Information	Develop review engagement ED – project plan approved in August. ED approved in April.	Available	Medium	<a href="#">Exposure draft issued</a>	April 2024
Technology	<a href="#">Continue to monitor IAASB's developing roadmap for tech</a>	Constrain	TBD	TBD	TBD
Value of audit	Monitor inspection findings. No action identified as needed.	Available	High	None	FMA report issued.
	Issued research on the perceptions of the value of audit. Report issued September 2023.	Commission	High	Report	Issued September 2023
Quality management implementation	<a href="#">Q&amp;A</a> issued.	Available	Medium	TBD	Feb 2024
Commission research	<a href="#">Consider researching user perceptions</a>	TBD	TBD	TBD	TBD – to defer
Update standard setting policies and convergence and harmonisation policy	Revise EG AU2 Overview of Auditing and Assurance Standard Setting Process	Available	High	Revised policies	Deferred
	Update harmonisation/convergence policy				
Māori engagement	Learnings based on XRB board decision on treaty obligations	To manage	Medium	TBD	TBD
Digitisation of assurance standards	XRB initiative progressing – testing of digitised assurance standards has commenced, <a href="#">demo product in June</a>	To manage	High	Digitised standards	June 2024



## IAASB

IAASB	2023/24 action	Resource	Priority	Key deliverable	Due date
Sustainability assurance	ED issued. XRB took a low-profile engagement on the specifics of ED 5000, while exploring the possible options for sustainability assurance in New Zealand.	Available	High	XRB <a href="#">Submission</a>	Dec 2023
Going Concern	Submission finalised. Approval of a final standard expected December 2024.	Available	Medium	XRB <a href="#">Submission</a>	Issued Aug 2023
Audit Evidence	Final IAASB standard delayed	Available	Medium	Adopt in New Zealand	TBD
Fraud	IAASB ED approved in December. Approve submission via circular resolution following April NZAuASB discussion	Available	Medium	XRB Submission	June 2024
Audits of Less Complex Entities	IAASB approved ISA for LCE standard in September 2023. Survey issued to obtain views on if and for which entities to adopt in New Zealand. <b>Issues paper to be discussed in June</b>	Available	Medium	Develop consultation doc on adoption of LCE standard for New Zealand	<b>Delay to Q3 of 2024</b>
Implications of PIE on ISAs	IAASB approved track 1 – final standard issued by IAASB. Gazette in New Zealand following provisional approval by NZAuASB	Available	Low	<a href="#">Standard</a> issued	Nov 2023
	Track 2 ED approved Dec 2023. Issue NZ wrap around document, <a href="#">Submission approved by circular resolution</a>	Available	Low	XRB <a href="#">Submission</a>	May 2024
Technology	Monitor IAASB's roadmap on technology	Available	TBD	Input to IAASB member	None
Participate in NSS meetings/regional groups/advisory groups/task forces/host international meetings	IAASB membership maintained Attend IAASB 5000 roundtable event		High	Attend sustainability roundtable	Oct 2023
	Host sustainability assurance summit	Manage	?	Event	<b>Not done</b>
	Host IAASB Chair	Available	High	Stakeholder meetings	Feb 2024
	Participate in NSS in New York in May – refer agenda item 1.5	Available	High	Request for information	May 2024

## IESBA

IESBA	2023/2024 action	Resource	Priority	Key deliverable	Due date
Sustainability reporting and assurance	IESBA ED ethics and independence for sustainability assurance approved in Dec 2023. Submission discussed in April	Available	High	<a href="#">Submission</a>	May 2024
Experts Project	IESBA ED approved in Dec 2023. Submission discussed in April	Available	High	<a href="#">Submission</a>	May 2024
Technology non-authoritative guidance	Monitor and raise awareness	None	Low	None	None
Tax planning and related services	IESBA approved the final standard in Dec 2023 No action as outside mandate	None	None	None	None
Implementation of NAS and Fees	Monitoring and raise awareness	TBD	Low	None	TBD
Implementation of PIE definition	Monitoring and raise awareness	TBD	Low	None	TBD
Long association post implementation review	Monitoring and raise awareness	TBD	Medium	TBD	TBD
Participate in NSS meetings/regional groups/advisory groups/task forces/host international guests	Host Mark Babington, IESBA sustainability Task Force chair	Available	High	Events	Nov 2023
	Participate in NSS in New York in May. Refer agenda 1.5	Available	High	Request for information	May 2024
	IESBA events on sustainability, firm culture and governance	Available	Medium	TBD	May 2024
	Host sustainability assurance summit	To manage	?	Events	Not done

## 2024/25 Prioritisation Plan

Domestic Project	2024/25 planned action	Resource	Priority/effort	Key deliverable	Due
Review standard for service performance information	Analyse submissions and issue standard	Available	Medium	Issue standard	Oct
ISA (NZ) for LCE	Issue exposure draft and finalise standard including chapter on service performance information	Available	High	Issue ED Issue standard	August April
Monitor adoption of audit and review of service performance	Monitor developments, hold workshops, work with accounting team and issue guidance as needed	Available	High	Issue guidance	Dec
Value of audit	Explore audit quality measures	TBD	TBD	TBD	Oct
	Monitor inspection findings	Available	Medium	Report	Feb
Monitor and comms mandatory GHG assurance	Monitor developments and issue guidance as needed	Available	High	Snapshots Insights and FAQs	Ongoing
	Explore user needs and value of adding to assurance reports	TBD	TBD	TBD	TBD
Limited versus reasonable assurance	Assist the market understand the spectrum of assurance, what limited assurance actually means and the value of assurance	To manage	High	Animation/video	Dec
XRB strategy for climate assurance – adoption of ISSA 5000/ISO or something else	Monitor developments internationally, in Australia and the New Zealand market and any government policy	Available	High	TBD	Aug
Competency requirements for sustainability assurance	Explore whether necessary to add requirements or issue guidance	Available	TBD	TBD	TBD
Update standard setting policy – based on developments in assurance over climate disclosures	Revise EG Au2 and update harmonisation/convergence policy	Available	Medium	Updated policy as appropriate	April
Māori engagement	Engage proactively to seek Māori views on relevant assurance issues to meet due process	To manage	TBD	TBD	
Digitisation	Ongoing maintenance of digital platform	To manage	TBD	TBD	
Explore assurance related issues related to Ngā pou o te kawa ora	Monitor developing XRB reporting framework and when appropriate, consider assurance related matters	To manage	Low	TBD	TBD
Technology	To monitor and respond if appropriate	To manage	TBD	TBD	TBD

## IAASB

IAASB	2024/25 planned action	Resource	Priority /effort	Key deliverable	Due
Going concern revised standard	IAASB expect to approve in Dec 2024, and issue in March. Issue final updated standard in New Zealand by June 2025	Available	Medium	Standard	June 2025
Public Interest Entity April track 2	IAASB expect to approve in Dec 2024, and issue in March. Issue NZ final standard by June 2025	Available	High	Standard	June 2025
Vision and roadmap for technology	Monitor developments and determine implications	Available	Medium	TBD	Dec 24
Reference framework model in relation to audit evidence	Monitor developments and finalisation of ISA 500 when determined by IAASB	Available	Low	Standard	TBD
Performance aspects in relation to responding to assessed risk and analytical procedures	Monitor developments	Available	Low	Standards	TBD
Narrow scope amendments from IESBA's use of experts	Consult on proposals (comment period to close July 2025)	Available	Low	Exposure draft	April
Explore issues on materiality in practice to inform international project to revise materiality standard	IAASB project to commence Jan 2025	Available	Medium		
Fraud standard (ISA (NZ) 240)	Monitor developments. IAASB expect to approve in March 2025 and issue in June. Adopt in New Zealand once issued (expected Sep 2025)	Available	High	Standard	TBD
ISSA 5000 Sustainability	IAASB expected to approve standard in Sept 2024. Issue ISSA (NZ) 5000 for voluntary application by June 2025	Available	Medium	Standard	June 2025
ISRE 2410 Interim Review Engagements	IAASB project commence April 2025. Consider XRB support for IAASB	TBD	TBD		
Participate in NSS meetings/regional groups/advisory groups/task forces/host international guests	IAASB membership maintained Participate and lead a discussion at NSS meeting.				

## IESBA

IESBA	2024/25 planned action	Resource	Priority/effort	Key deliverable	Due date
Sustainability ethics and independence revisions	IESBA expected to approve standard in Dec 2024 and issue in March 2025. Monitor developments and determine implications for XRB.	AH	High	Update PES 1	June 2025
Use of experts	IESBA expected to approve standard in Dec 2024 and issue in March 2025. Monitor developments and determine implications for XRB.	NB	High	Update PES 1	June 2025
Collective investment vehicles	Monitor IESBAs project on CIVs, pension funds and investment company complexes – ED expected in 2025	NB	Low	TBD	TBD
Profession agnostic independence standards for sustainability assurance not in scope of Part 5	TBD		TBD		
Post implementation review of non-compliance with laws and regulations (NOCLAR)	Participate in IESBA PIR	To manage	Medium	TBD	TBD
Participate in NSS meetings/regional groups/advisory groups/task forces/host international guests	Host IESBA members/staff Participate and lead a discussion at NSS meeting.		TBD	TBD	TBD

Plan							
2024/25 NZAuASB meeting dates							
Project	Aug	Oct	Dec	Feb	April	June	
Domestic	GHG implementation guidance	Update on reporting	Update reporting	Update on reporting	Update on reporting	Update on reporting	Update on reporting
	Track Aus /intl sustainability	Update	Update	Update			
	Climate assurance	Strategy discussion	Agree strategy		What to do 5000		Survey users on assurance reports
	Sustainability competency	Discuss					
	Update standard setting policy			Agree any change in policy			
	SPI guidance			Agree			
	Review of SPI	Analysis submissions	Approve				
	Audit quality measures	Update	Discuss				
	Monitor FMA findings				Discuss		
	Audits of LCE	Approve ED		Analysis submissions		Approve std	
	Other			SPE progress		SPE plan for 25/26	SPE progress
IAASB	Sustainability		Update				
	Use of experts				Update	Discuss	Approve submission
	Going concern		Update	Update		Approve	
	Fraud			Update		Update	Discuss
	Technology		Update				
	Audit evidence						
	Risk response						
	PIE track 2	Analysis of NZ feedback	Update	What will NZ do?			Approve
	Materiality						Update
Interim reviews						Update	
IESBA	Sustainability ethics & independence		Update (AH))	Update	What to do IESSA		
	Use of experts		Update (NB)	Update	What in PES 1 NB		
	NOCLAR PIR						
	Prof agnostic 4B						
	CIVs			Update		Discuss	
	Firm Culture			Update			
Guests	Update ISO developments	Firms in Akl					

# Authority of ISA (NZ) for LCE

A summary of who can or who can't be audited with the ISA for LCE auditing standard in New Zealand. Prepared for the NZAuASB. This is based on the current draft and is subject to discussion at this current board meeting

There are limitations to the use of the ISA for LCE, which are designated into three categories: specific prohibitions, qualitative characteristics, and quantitative thresholds.

## Specific prohibitions

The following are specific classes of entities for which the use of the ISA for LCE is prohibited:



a) When use of the ISA for LCE is prohibited by law or regulation.



b) The entity is a listed entity.



- c) The entity falls into one of the following classes:
- Takes deposits from the public, as one of its main functions.
  - Provide insurance to the public, as one of its main functions.
  - Is a FMC HLP reporting entity.
  - Is a class of entities where use of ISA for LCE is prohibited for that specific class of entity by a legislative or regulatory authority.



- d) The entity is an audit of a group financial statements (group audit), and:
- Any of the groups individual entities or business units meets the criteria in b) or c), above.
  - Component auditors are involved, except when the component auditor's involvement is limited to circumstances in which a physical presence is needed for a specific audit procedure for the group audit (e.g., attending a physical inventory count or physically inspecting assets or documents).



## Qualitative characteristics

The standard describes characteristics of a typical LCE for the purpose of determining the appropriate use of the ISA for LCE. The following are the areas that the auditor needs to consider.

Each of the qualitative characteristics may not, on its own, be sufficient to determine whether the ISA for LCE is appropriate or not in the circumstances. Therefore, the matters described in the list are intended to be considered both individually and in combination.



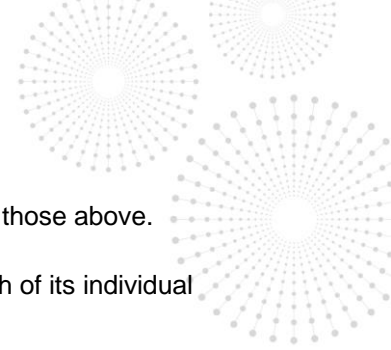
Notwithstanding that professional judgement is applied in determining whether this standard is appropriate to use, if there is uncertainty about whether an audit meets the criteria, the use of the ISA for LCE is not appropriate.

	<b>Business Activities, Business Model &amp; Industry</b>	<p>The entity's business activities, business model or the industry in which the entity operates do not give rise to significant pervasive business risks.</p> <p>There are no specific laws or regulations that govern the business activities that add complexity (e.g., prudential requirements).</p> <p>The entity's transactions result from few lines of business or revenue streams.</p>
	<b>Organisational Structure and Size</b>	<p>The organisational structure is relatively straightforward, with few reporting lines or levels and a small key management team (e.g., 5 individuals or less).</p>
	<b>Ownership Structure</b>	<p>The entity's ownership structure is straightforward and there is clear transparency of ownership and control, such that all individual owners and beneficial owners are known.</p>
	<b>Nature of Finance Function</b>	<p>The entity has a centralised finance function, including centralised activities related to financial reporting.</p> <p>There are few employees involved in financial reporting roles (e.g., 5 individuals or less).</p>
	<b>Information Technology (IT)</b>	<p>The IT environment of the entity, including its IT applications and IT processes, is straightforward. The entity uses commercial software and does not have the ability to make any programme changes other than to configure the software (e.g., the chart of accounts, reporting parameters or thresholds). Access to the software is generally limited to one or two designated individuals for the purpose of making the configurations. Few formalised general IT controls are needed in the entity's circumstances.</p>
	<b>Application of the Financial Reporting Framework and Accounting Estimates</b>	<p>Few accounts or disclosures in the financial statements of the entity necessitate the use of significant management judgement in applying the requirements of the financial reporting framework.</p> <p>The entity's financial statements ordinarily do not include accounting estimates that involve the use of methods, models, assumptions, or data, that are complex.</p>





## Qualitative characteristics for Group Audits



For group audits, the following qualitative characteristics are to be considered in addition to those above.

For the purpose of group audits, these considerations shall apply to both the group and each of its individual entities and business units.

	<b>Group Structure and Activities</b>	The group has few entities or business units (e.g., 5 or less). Entities or business units within the group operate in jurisdictions with similar characteristics, for example laws and regulations and business practices.
	<b>Access to Information or People</b>	Group management will be able to provide the engagement team with access to information and unrestricted access to persons within the group as determined necessary by the group auditor.
	<b>Consolidation Process</b>	The group has a simple consolidation process. E.g.: <ul style="list-style-type: none"> <li>• Intercompany, or other consolidation adjustments are not complex.</li> <li>• Financial information of all entities or business units has been prepared in accordance with the similar accounting policies applied to the group financial statements; and</li> <li>• All entities or business units have the same financial reporting period-end as that used for group financial reporting.</li> </ul>



## Quantitative thresholds

Determining quantitative thresholds assists in the consistent and appropriate use of the ISA for LCE in a jurisdiction.

*Any quantitative threshold TBC.*





## Furthermore, ISA (NZ) for LCE does not include requirements on:



Procedures or matters typically relevant to listed entities, including reporting on segment information or key audit matters.



When the auditor intends to use the work of internal auditors, as this would ordinarily not be applicable to an audit of an LCE.



When the auditor intends to use a report provided by a service auditor of a service organisation either as audit evidence about the design and implementation of controls at the service organisation (i.e., a type 1 or type 2 report), or as audit evidence that controls at the service organisation are operating effectively (i.e., a type 2 report), as this would ordinarily not be applicable to an audit of an LCE.



## Summary of the Authority

### Specific Prohibitions & Jurisdictional Level Limitations

Is the audit:

- X In a jurisdiction which prohibits use of the standard?
- X Of a listed entity?
- X Of an entity with "public interest characteristics" (public insurer or public deposit taker or FMC HLPAs)?
- X A group audit with individual entities or business units meeting the above criteria; or a group audit involving component auditors (except in limited circumstances)?
- X Meet any quantitative threshold? [TBC]

No | Yes

### Firm Policies or Procedures

Is the audit:

- X Prohibited from using the standard under firm policies or procedures?

No | Yes

### Engagement Level Evaluation

Does the audit:

- X Exhibit qualitative characteristics that would make the standard inappropriate to use?

No | Yes

### Decision

May use ISA for LCE

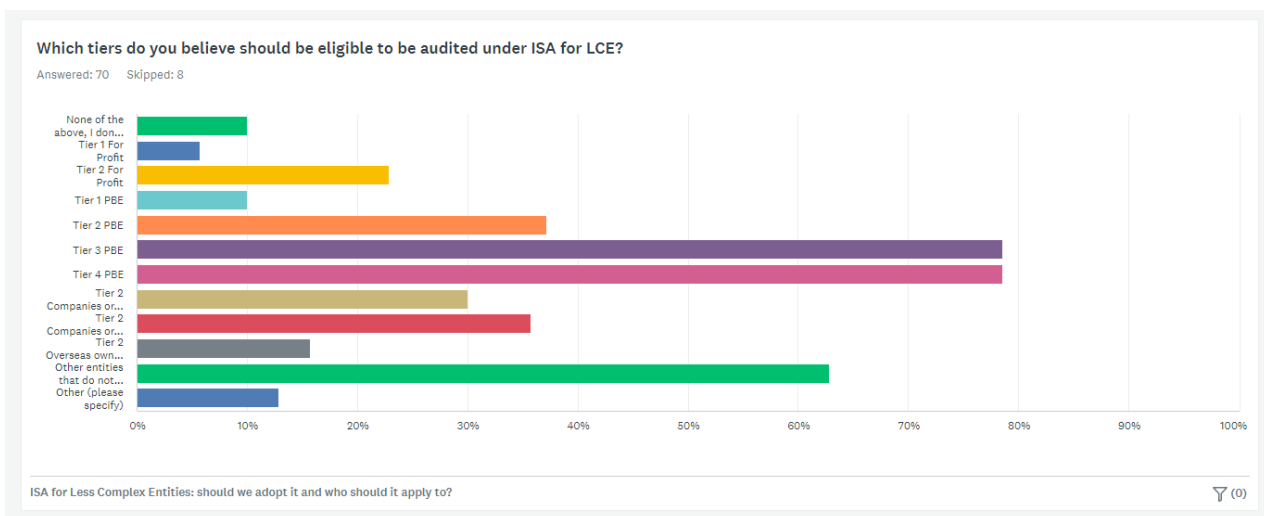
Cannot use ISA for LCE



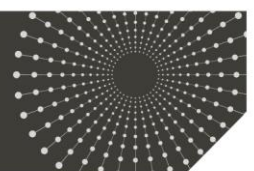


## Who are the less complex entities that could potentially be audited under the ISA (NZ) for LCE?

- Over 1600 Early Childhood Education providers submitted audited financial reports to the Ministry of Education last year – a mix of special purpose and general purpose financial reporting.
- Public sector: Schools (2416 reporting under Tier 2), Reaps (Rural Education Activities Programmes), Registered charities, CCOs (council controlled organisations).
- Approx. 77 community housing providers, who submit financial statements to the Community Housing Regulatory Authority
- According to the summer intern research reports, at November 2023, there were 1,135 Tier 2 registered charities and 1,939 Tier 3 registered charities, requiring assurance.
- Incorporated Societies (numbers are difficult to ascertain – until the Incorporated Societies Act 2022 came into force, voluntary assurance was obtained. Under the new Act, those with expenditure >\$3million are required to be audited).
- Small companies (numbers are difficult to ascertain – as they obtain non-statutory audits and do not require filing).
- Others, such as unincorporated bodies, charitable trusts, trusts, sole traders, small partnerships, all obtaining non-statutory audits.
- Of course, all these types of entities would need to meet the qualitative characteristics of a less complex entity, and not be a Tier 1 entity, or have public interest characteristics set out in the specific prohibitions section of the authority of the ISA (NZ) for LCE.



From our survey in August 2023, survey participants believed that mainly Tier 2-4 entities should be eligible to be audited under the ISA for LCE.



## ISA (NZ) for LCE: Overview on the drafting of ISA for LCE

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### Drafting principles

1. The following provides background to the drafting principles which were applied by the IAASB when drafting the ISA for LCE. This is based on the content from the IAASBs board papers.

The IAASB aims to set high quality international standards that are understandable, clear and capable of consistent application, thereby serving to enhance the quality and uniformity of practice worldwide.

To achieve the aim of the IAASB, the ISA for LCE has been drafted to be:

- Clear - meaning drafted in an easy to understand and unambiguous way.
- Understandable - avoiding unnecessary words and elements and by using plain language.
- Concise - avoiding unnecessary repetition.

This includes:

- Using of short sentences, with clear, concise and simple language appropriate to the subject matter.
- Using terminology consistently.
- Presenting a required action that is clear, understandable, enforceable and is stated as simply and concisely as practical.
- Only including one concept in a paragraph by providing a logical link between the ideas of each sentence.
- Only including one “shall” in a paragraph, unless the second “shall” is conditional on an outcome of the first “shall” in the paragraph (in which case there may be two “shall’s” in a paragraph).
- Not using long or multiple layers of bullet lists where possible, because this may become difficult to read and understand and may be perceived as a checklist rather than a principles-based approach.
- Using simple language.
- Avoid legalistic or archaic terms, nuances, and superfluous adjectives or adverbs.
- Not using words that suggest certainty or absolutes for the auditor (e.g. “ensure”, “guarantee”, “assert”, etc.).
- Not using more words than necessary (e.g., use “The auditor shall obtain evidence for XYZ” instead of “The auditor shall obtain evidence in relation to XYZ”).
- Not including material in the ISA for LCEs that is lengthy, educational or background in nature.

The same structure has been used for each Part, to help with consistency of application. All communication and documentation requirements have been grouped together in separate sections at the end of the relevant Part. Sub-headings have been used where needed to help explain the focus of the requirements. Boxes have been used to help enhance and separately identify the introductory and other non-authoritative material.

To next page...

...from previous page

Other drafting matters of relevance include:

- Use of ‘and’ ‘or’ and ‘including’ in a bulleted list:
  - In a bulleted list ‘and’ means all items need to be taken into account.
  - In a bulleted list ‘or’ means that there could be one or more matters within that list.
- Where a requirement is conditional, the condition is presented first.
- Cross-referencing has been limited and only used where absolutely necessary.
- EEM and introductory boxes have been presented as “non-authoritative” and do not create additional obligations for the auditor.
- EEM has been presented to the extent that it provides essential context for understanding a concept or a requirement. There are no examples on the application of the requirement presented.
- Appendices presented have the same status as the EEM.
- The documentation requirements establish “what” the auditor is required to document. Documentation requirements do not explain “why” the documentation is needed or “how” to apply the documentation requirement.

The drafting principles are based on the [CUSP](#) drafting principles (Complexity, Understandability, Scalability and Proportionality). The drafting principles have been applied in developing a standard that is intended to be proportionate and appropriate to the nature and circumstances of a less complex entity as contemplated by the Authority of the ISA for LCE.

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## Alignment principles

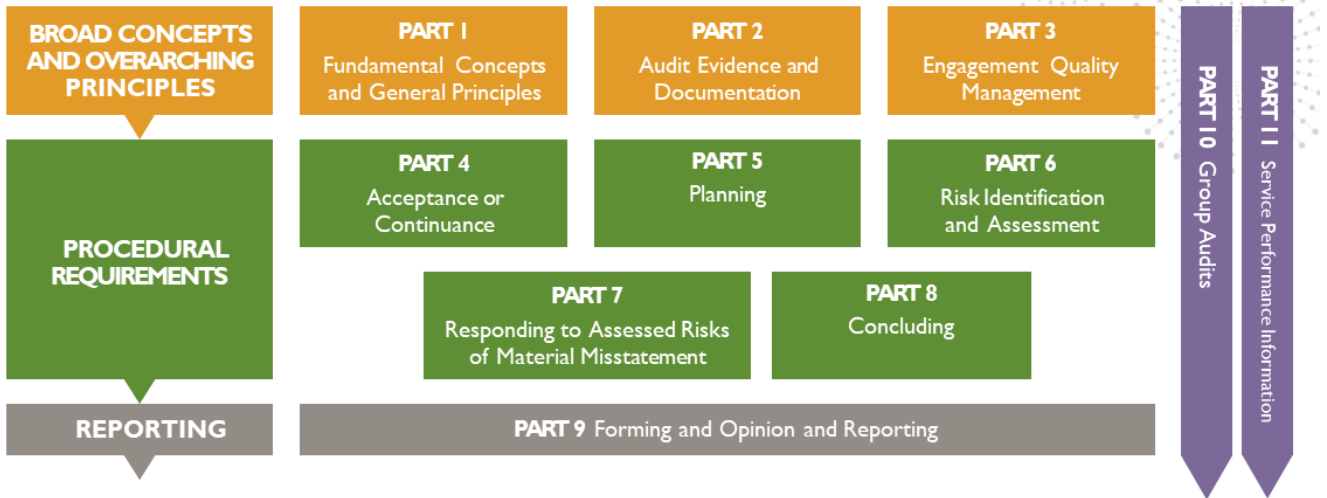
2. In addition to the above drafting principles, the IAASB used *alignment principles* (documented in the [mapping documents of the ISAs to the proposed ISA for LCE](#)).

*‘Alignment principles’ are used to explain any differences between the ISAs and the ISA for LCE and help explain the views as to how or why an ISA requirement has been included, modified or not included in the ISA for LCE. The alignment principles include:*

- *Whether the requirement is relevant to the nature and circumstances of an audit of an LCE, and if not, why not.*
- *If applicable, why the requirement has been revised or modified to reflect the nature and circumstances of an audit of an LCE.*
- *If applicable, whether any changes made for the purpose of the ISA for LCE would still result in procedures that would meet the objectives for each Part, and therefore that in aggregate the auditor’s procedures would still enable reasonable assurance to be achieved.*

3. The following pages provide a summary of the design of the standard

### Content of the standard



### Layout of each part of the standard

ISA FOR LCE

**2. Audit Evidence and Documentation**

*Content of this Part*  
Part 2 sets out the requirements to be applied throughout the audit for:

- Audit evidence.
- Documentation. Within individual Parts there may also be additional specific documentation requirements.

*Scope of this Part*  
The requirements in this Part apply throughout the audit engagement.

**2.1. Objectives**

1. The objectives of the auditor are to:

- Design and perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion; and
- Prepare documentation that provides a sufficient and appropriate record of the basis for the auditor's report and provides evidence that the audit was planned and performed in accordance with the ISA for LCE and applicable law or regulation.

**2.2 Sufficient Appropriate Audit Evidence**

1. To obtain reasonable assurance, the auditor shall obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level thereby enabling the auditor to draw reasonable conclusions on which to base the auditor's opinion.

2. The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

*Sufficiency is the measure of the quantity of audit evidence. It is affected by the auditor's assessment of the risks of material misstatement (the higher the assessed risks, the more audit evidence is likely to be required) and also the quality of the audit evidence (the higher the quality, the less may be required). Obtaining more audit evidence, however, may not compensate if it is of poor quality.*

*Appropriateness is the measure of the quality of the audit evidence, that is its relevance and reliability in providing support for the conclusions on which the auditor's opinion is based.*

*Most of the auditor's work in forming the auditor's opinion consists of obtaining and evaluating audit evidence. Whether sufficient appropriate audit evidence has been obtained to reduce audit risk to an acceptably low level, and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion, is a matter of professional judgment.*

#### INTRODUCTION

Summary of the content and scope of the Part

#### OBJECTIVE

Link the requirements of the Part and the overall objectives of the auditor

#### REQUIREMENTS

Designed to obtain sufficient appropriate audit evidence

Auditor must comply with all relevant requirements

#### ESSENTIAL EXPLANATORY MATERIAL

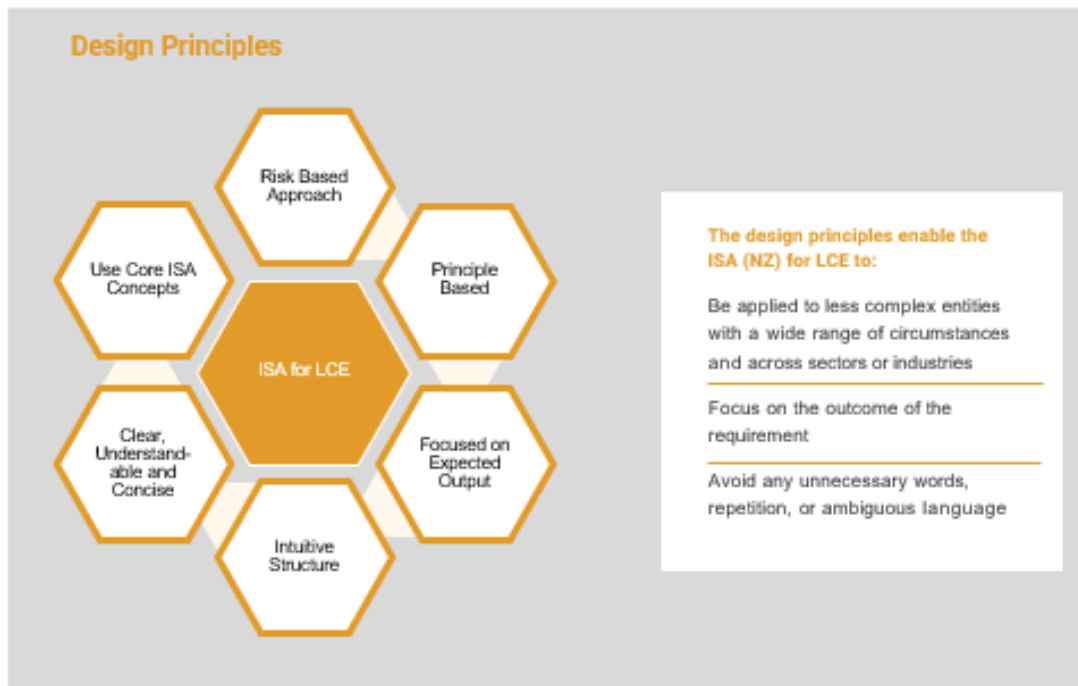
Limited guidance where essential to understanding or applying a requirement or a concept

Does not impose a requirement or expand any requirement

Located directly by the relevant requirement

## EEM: the Essential Explanatory Material standard

4. You'll notice blue shaded boxes throughout the standard, this is the Essential Explanatory Material, or EEM for short.
  - There are two types of EEM: general introductory EEM that explains the context of the section that follows, and EEM specific to the requirement directly above it.
  - EEM is included to further explain concepts or procedures in the requirements or why procedures are undertaken, but generally does not explain how the procedures should be implemented.
  - EEM does not impose a requirement or expand any requirement.
  - It is presented to the extent that it provides essential context for understanding a concept or a requirement. There are no examples on the application of the requirement presented in EEM.



### ISA (NZ) for LCE vs ISAs (NZ)

	ISA (NZ) for LCE	ISAs (NZ) + NZ AS
Authority	Audits of LCEs	All audits
Structure	One standard, 11 parts	38 standards, 1190 pages
Guidance	Adjoined to the requirement	Extensive and separate from the requirements
Requirement for matters or circumstances that would have deemed more complex	Not included	Included
Examples	Focused on LCE	Wide range of entities

## Further background material

### Background to the development of Part 11, The Audit of Service Performance Information

1. In drafting the New Zealand Part 11, we reached out to audit practitioners (both public and private sectors) to understand their expectations on how the requirements to audit of service performance would work when they use the ISA (NZ) for LCE, and where the requirements should be placed (i.e., as a separate Part 11 or included within each part of the standard).
2. What we heard: When it comes to the requirements, auditors “don’t expect it to be too different from NZ AS 1 (Revised).” They agreed that the requirements should be placed in a standalone part in the standard because “From an auditor perspective and potentially even from a methodology development perspective, having all the Service Performance requirements in one place would be helpful”. “By creating a separate part to the standard – this part will be used only for entities where it needs to be applied – therefore easy to find and focus on if required”.
3. From the above and discussions internally, we concluded that the requirements for service performance information should be contained within a separate Part 11 in the standard. We also concluded that the requirements in Part 11 should be based on those requirements in NZ AS 1 (Revised) but making adjustments as necessary.
4. Key points from the process to draft Part 11:
  - We referred to the *drafting principles* which used in developing the draft ISA for LCE – refer supplementary agenda item 4.6 for the Drafting Principles.
  - Using the *alignment principles* established in the [mapping documents of the ISAs to the proposed ISA for LCE](#), we considered whether each of the requirements in NZ AS 1 (Revised) should be included as requirements in Part 11.
  - Each requirement was then considered alongside the Drafting Principles.
  - We used alignment principles tailored for EEM:
    - o Is the Application Material (AM) relevant and appropriate in the circumstances of an audit of an LCE?
    - o Should / could the AM be revised or modified for the circumstances of an LCE?
    - o Do the changes result in EEM that aligns with drafting principles and ISA for LCE?
  - Using these principles, we considered all of the application material of NZ AS 1 (Revised), to determine which paragraphs should be included, modified, or not included, as EEM in Part 11.
  - One of the *drafting principles* of the ISA for LCE is that drafting is concise, i.e. avoid unnecessary repetition. Therefore, a few of the requirements from NZ AS 1 (Revised) that are mentioned elsewhere in ISA for LCE are not typically repeated in Part 11. We have made an exception for key documentation requirements, such as the engagement letter, letter of representation, audit report, so we can link the requirement to the relevant illustration. However, there were not many requirements we considered were not necessary to add to the ISA for LCE.

When writing the requirements in Part 11, we based most of them on how the *Part 10, Group audits* section introduces requirements and EEM [as Part 10 is similar to Part 11 as it is a conditional Part (i.e. it is only used when auditing a group, Part 11 is only used when auditing SPI)]. Most requirements are introduced as “In Applying Part ...”. These can be used as signposts to enable the auditor to refer to other relevant parts of the standard. This also emphasises that the whole standard is to be used when auditing service performance information, not just Part 11 on its own.



## For information purposes only: Mapping document – Requirements in NZ AS 1 (Revised) to proposed ISA (NZ) for LCE

This “mapping” document illustrates how the requirements from NZ AS 1 (Revised) *The Audit of Service Performance Information* have, or have not, been incorporated as in Part 11 of the proposed ISA (NZ) for LCE.

Prepared by XRB staff, this document is not an authoritative pronouncement of the XRB. It was created to facilitate the review of the proposed Part 11 of ISA (NZ) for LCE and does not form part of the materials on which we are seeking views. This document analyses each NZ AS 1 (Revised) requirement paragraph, using the IAASB’s Alignment principles, to determine what elements should, or should not, be included in the ISA (NZ) for LCE. It does not aim to exhaustively explain the reasons behind each adjustment.

The below is ordered by the paragraph numbering of NZ AS 1 (Revised), but it will not necessarily line up with the flow of the content of Part 11.

The flow of Part 11 aligns with the flow of the rest of the ISA for LCE, with the exception of Understanding the entity being placed before Materiality (which is how it is written in NZ AS 1 (Revised)).

Section	Text		Comparison, using the Alignment principles
	NZ AS 1 (Revised)	ISA for LCE	
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 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. (Ref: Para. A1)	-	<b>Is the intro relevant and appropriate in the circumstances of an audit of an LCE?</b> No – Drafting principle: “Not including material in the ISA for LCEs that is lengthy, educational or background in nature”, therefore not suitable for ISA for LCE.
Scope of the Standard  ISA for LCE: Content of this Part  Scope of this Part	2. This New Zealand Auditing Standard (NZ AS) deals with the auditor’s responsibilities with respect to service performance information when an auditor is engaged to audit the service performance information concurrently with the financial statements.  3. This NZ AS establishes requirements and provides guidance not addressed by other International	<i>Content of this Part</i>  Part 11 sets out the special considerations that apply when auditing service performance information, concurrently with the financial statements.  <i>Scope of this Part</i>	<b>Is the scope relevant and appropriate in the circumstances of an audit of an LCE?</b> Partly <b>Should / could the scope be revised or modified for the circumstances of an LCE?</b> Yes Add to the introductory section at the start of Part 11 that discusses the Content and Scope. Have based content more on Part 10 to align with the ISA for LCE drafting principles.

	<p>Standards on Auditing (New Zealand) (ISAs (NZ)) with respect to service performance information.</p> <p>4. This standard together with the ISAs (NZ) sets out the requirements to obtain reasonable assurance over service performance information.</p> <p>5. This NZ AS applies when the auditor is required by law or regulation or is otherwise engaged to audit both the financial statements and the service performance information prepared in accordance with the applicable financial reporting framework. (Ref: Para. A2)</p>	<p>All parts of the ISA for LCE apply when auditing an LCE that reports service performance information. The requirements and guidance in this Part refer to, or expand on, the application of other Parts of the ISA (NZ) for LCE to the audit of service performance information.</p>	
<p>Objective ISA for LCE: Objectives</p>	<p>6. The objective of the auditor is to express a reasonable assurance opinion on whether the service performance information presents fairly, in all material respects the service performance in accordance with the applicable financial reporting framework.</p> <p>7. The auditor may achieve the objective of this NZ AS by considering the following two steps:</p> <p>(a) Assess whether each of the following aspects of the service performance information are appropriate and meaningful in accordance with the applicable financial reporting framework: (Ref: Para. A3)</p> <ul style="list-style-type: none"> <li>• The elements/aspects of service performance that the entity has selected to report on.</li> <li>• The performance measures and/or descriptions the entity has used to report on what it has done in relation to those elements/aspects of</li> </ul>	<p>11.1.1. The objectives of the auditor are:</p> <p>(a) to obtain reasonable assurance about whether the service performance information is free from material misstatement, whether due to fraud or error, and</p> <p>(b) to issue an auditor’s report that includes their opinion.</p> <p>EEM</p> <p><i>The auditor may achieve the objectives of this Part by considering the following two steps:</i></p> <p>(a) <i>Assess whether each of the following aspects of the service performance information are appropriate and meaningful in accordance with the applicable financial reporting framework:</i></p>	<p><b>Is the objective relevant and appropriate in the circumstances of an audit of an LCE? Partly</b>  <b>Should / could the requirement be revised or modified for the circumstances of an LCE? Yes</b></p> <p>Objective has been adjusted to follow the format of the standard – particularly para 1.3.1 and the illustrative engagement letter.</p> <p>Moved para 7 to EEM – as it is worded more like EEM than a requirement. It is essential that the auditor considers the two step approach in the audit.</p>

	<p>service performance during the reporting period.</p> <ul style="list-style-type: none"> <li>• The measurement basis or evaluation method used to measure or evaluate the performance measure and/or description.</li> </ul> <p>(b) Assess whether the reported service performance information fairly reflects the actual service performance and is not materially misstated.</p>	<ul style="list-style-type: none"> <li>• <i>The elements/aspects of service performance that the entity has selected to report on.</i></li> <li>• <i>The performance measures and/or descriptions the entity has used to report on what it has done in relation to those elements/aspects of service performance during the reporting period.</i></li> <li>• <i>The measurement basis or evaluation method used to measure or evaluate the performance measure and/or description.</i></li> </ul> <p>(b) <i>Assess whether the reported service performance information fairly reflects the actual service performance and is not materially misstated.</i></p>	
<p>Definitions</p>	<p>8. For the purposes of this NZ AS, the following terms have the meanings attributed below:</p> <p>(a) Misstatement – Misstatements can be intentional or unintentional, qualitative or quantitative, and include omissions. Misstatements can arise from error or fraud when:</p> <p>(i) An element/aspect of service performance or performance measure and/or description, or a measurement basis or evaluation method is not appropriate and meaningful; or</p> <p>(ii) An element/aspect of service performance or performance measure and/or description that would be appropriate and meaningful is omitted; or</p>	<p>Definitions to go in <a href="#">glossary</a> Appendix of ISA for LCE</p>	<p><b>Is the definitions section relevant and appropriate in the circumstances of an audit of an LCE?</b> Yes, but definitions are in an Appendix of the ISA for LCE.</p> <p><b>Should / could the definitions be revised or modified for the circumstances of an LCE?</b> Added definitions to the “glossary” in the appendix</p>

	<p>(iii) Incorrectly measuring or evaluating the entity’s service performance.</p> <p>(b) Risk of Material Misstatement – The risk that the service performance information is materially misstated prior to the audit. This consists of two components, described as follows at the assertion level:</p> <p>(i) Inherent risk – The susceptibility of an assertion about a performance measure and/or description, measurement basis or evaluation method or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls.</p> <p>(ii) Control risk – The risk that a misstatement that could occur in an assertion about a performance measure and/or description, measurement basis or evaluation method or disclosure and that could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity’s system of internal controls.</p>		
<p>General Requirements</p>	<p>Conduct Engagement in Accordance with the ISAs (NZ)</p> <p>9. The auditor shall apply the ISAs (NZ) and this NZ AS when auditing service performance information. (Ref: Para. A4-A5)</p> <p>10. The auditor shall not represent compliance with this NZ AS unless the auditor has complied with the requirements of both this NZ AS and the ISAs (NZ) in relation to the audit of service performance information.</p>	<p>Not required</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? No</b></p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE? No – this paragraph is specific to ISA (NZ), not applicable to ISA for LCE.</b></p> <p><b>Do the changes result in requirements that still achieve reasonable assurance? Yes</b></p>

<p>General Requirement s: Professional Judgement and Professional Scepticism</p>	<p>11. The auditor shall plan and perform the audit of service performance information by exercising professional judgement and with an attitude of professional scepticism. (Ref: Para. A6)</p>	<p><i>Not required</i></p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b> No – professional scepticism is already required in para 1.4.4-1.4.5.</p> <p>Similarly, exercising professional judgement is required throughout the standard.</p> <p>The Scope of Part 11 states “All parts of the ISA for LCE apply when auditing an LCE that reports service performance information.”</p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b> No - <b>Do the changes result in requirements that still achieve reasonable assurance?</b> Yes</p>
<p>Documentati on ISA for LCE: Specific Documentati on Requirement s</p>	<p>12. The auditor shall document the nature, timing and extent of the audit procedures performed to comply with this NZ AS. (Ref: Para. A7) 13. The audit documentation shall include: (a) Significant professional judgements made in audit procedures performed, the audit evidence obtained, and conclusions reached. (Ref: Para. A8-A9) (b) As far as possible, evidence of relevant relationships between the service performance information and the financial statements.</p>	<p>11.21.3. The auditor shall include in the audit documentation as far as possible, evidence of relevant relationships between the service performance information and the financial statements.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b> Yes <b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b> Para 12 of NZ AS1R is in para 2.4(a) of the ISA for LCE.</p> <p>Para 13 (a) is in para 2.4(c). of the ISA for LCE. Therefore, not required - as the Scope of Part 11 states “All parts of the ISA for LCE apply when auditing an LCE that reports service performance information.”</p> <p>Bring para 13(b) of NZAS1R into para 11.21.3. as a specific documentation requirement for this part. <b>Do the changes result in requirements that still achieve reasonable assurance?</b> Yes</p>
<p>Agreement on Audit Engagement Teams ISA for LCE: Terms of the</p>	<p>14. The terms of the engagement shall include : (Ref: Para. A10-A11) (a) The objective and scope of the audit. (Ref: Para. A12-A16)</p>	<p>11.2.1. In applying Part 4, the auditor shall agree the terms of the audit engagement with those charged with governance. <i>Appendix 2A sets out an illustrative engagement letter including service performance information.</i></p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b> Partly</p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b> Yes</p>

<p>Audit Engagement</p>	<p>(b) The responsibilities of the auditor with respect to the service performance information:                  (i) To obtain an understanding of the process applied by the entity to select its elements/aspects of service performance, performance measures and/or descriptions and the measurement bases or evaluation methods.                  (ii) To evaluate whether the selection of elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods present an appropriate and meaningful assessment of the entity's service performance in accordance with the applicable financial reporting framework.                  (iii) To evaluate whether the service performance information is prepared in accordance with the entity's measurement bases or evaluation methods, in accordance with the applicable financial reporting framework.                  (iv) To evaluate whether the overall presentation, structure and content of the service performance information represents the elements/aspects of service performance in accordance with the applicable financial reporting framework.                  (c) The responsibilities of those charged with governance, including that they acknowledge and understand their responsibility on behalf of the entity for:</p>	<p>...</p> <p><b>11.21. Specific Documentation Requirements</b></p> <p>11.21.1. In addition to the requirements of paragraph NZ4.7.4, the audit engagement letter or other suitable form of written agreement shall include the objective and scope of the audit, and the respective responsibilities of the auditor and those charged with governance, with respect to the service performance information.</p>	<p>Simplify and clarify the requirements. As the engagement letter is a documentation requirement, reference to the content is included in specific documentation requirements.</p> <p>(have not made reference to form/content of the report as this is already covered in Paragraph 4.7.4 )</p> <p>we will provide an illustrative engagement as guidance in appendix 2A.</p> <p><b>Do the changes result in requirements that still achieve reasonable assurance? y</b></p>
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	<p>(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.</p> <p>(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.</p> <p>(iii) The overall presentation, structure and content of the service performance information in accordance with the applicable financial reporting framework.</p> <p>(iv) Such internal control as those charged with governance determine is necessary to enable the preparation of the service performance information that is free from material misstatement, whether due to fraud or error.</p> <p>(d) Reference to the expected form and content of the auditor's report.</p>		
<p>Obtaining an Understanding of: <i>Understanding the Entity</i></p> <p>ISA for LCE: Understanding Relevant</p>	<p>15. The auditor shall obtain an understanding of: (Ref: Para. A17)</p> <p>(a) Why the entity exists and what it intends to achieve i.e., its purpose or objective.</p> <p>(b) What activities or services the entity performs.</p> <p>(c) Who the entity aims to serve i.e., the entity's primary stakeholders</p>	<p>11.4.1. The auditor shall obtain an understanding of:</p> <p>(a) The entity's purpose or objective and its activities or services the entity performs.</p> <p>(b) The entity's primary stakeholders and users of the service performance information.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes</b></p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b></p> <p>Para 15 – simplify requirements, reducing 4 bullet points into 3.</p>

<p>Aspects of the Entity and the Service Performance Information: <i>Understanding the Entity</i></p>	<p>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.</p>	<p>(c) What is considered important to those stakeholders and users identified in (b), and what they may use the service performance information for.</p>	<p><b>Do the changes result in requirements that still achieve reasonable assurance? Y</b></p>
<p>Understanding Laws and Regulations  ISA for LCE: Understanding Laws and Regulations</p>	<p>16. The auditor shall obtain an understanding of: (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 audit of service performance information; and (Ref: Para. A18-A21) (b) How the entity is complying with that framework.</p>	<p>11.4.2. The auditor shall obtain an understanding of the legal and regulatory framework that specify the form, content, preparation, publication, and audit of service performance information; and how the entity is complying with that framework.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes</b> <b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b> Yes – simplify requirements: combine the 2 bullet points as it is all about one idea.  Compliance with laws or regulations that may have an effect on the financials is covered in 6.3.1(e) and 7.4.26.  <b>Do the changes result in requirements that still achieve reasonable assurance?</b> Yes</p>
<p>Understanding the Service Performance Information Reported  ISA for LCE: Understanding the Service Performance Information Reported</p>	<p>17. The auditor shall obtain an understanding of: (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 judgements to report. (Ref: Para. A22-A24, A27) (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.</p>	<p>11.4.3. The auditor shall obtain an understanding of: (a) The applicable financial reporting framework relevant to the service performance information. (b) The process, including the rationale and logic, to determine what elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods and judgements to report. (c) The process to identify, and the level of engagement with, the intended users of the service performance information. (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</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes</b> <b>Should / could the requirement be revised or modified for the circumstances of an LCE? Partly</b> Overall, requirements appear clear, simple and concise. Have rewritten (c) slightly. <b>Do the changes result in requirements that still achieve reasonable assurance?</b> NA</p>



	<p>(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. (Ref: Para. A79-A80)</p> <p>(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. (Ref: Para. A25)</p> <p>(f) Where the entity intends to report its service performance information. (Ref: Para. A26)</p>	<p>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.</p> <p>(f) Where the entity intends to report its service performance information.</p>	
<p>Understanding the Components of the Entity's System of Internal Control</p> <p>ISA for LCE: Understanding the Entity's System of Internal Control</p>	<p>Understanding the Components of the Entity's System of Internal Control</p> <p>18. In accordance with ISA (NZ) 315 (Revised 2019), the auditor shall obtain an understanding of the entity's system of internal control over the preparation of the service performance information. (Ref: Para. A28-A29)</p> <p>19. Based on the auditor's evaluation of each of the components of the entity's system of internal control, the auditor shall determine whether one or more control deficiencies have been identified.</p>	<p>11.4.4. The auditor shall obtain an understanding of the entity's system of internal control over the preparation of the service performance information.</p> <p><i>The auditor applies paragraph 6.3.14 to determine whether deficiencies have been identified in the entity's system of internal control.</i></p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b> Yes</p> <p>Para 19 – deficiencies are already considered in 6.3.14, not considered necessary to not repeat the requirement, but have added EEM to act as a signpost back to para 6.3.14.</p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b> y</p> <p><b>Do the changes result in requirements that still achieve reasonable assurance?</b> y</p>
<p>Planning</p> <p>ISA for LCE: Planning Activities</p>	<p>20. The auditor shall develop an audit plan with a single audit approach to concurrently cover the service performance information and</p>	<p>11.3.1. In applying Part 5, the auditor shall set the scope, timing and direction of the audit to concurrently cover the service performance information and the financial statements. In doing so, the auditor shall:</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Y</b></p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE? Y</b></p>

	<p>the financial statements. (Ref: Para. A30)</p> <p>21. In establishing the overall audit strategy, the auditor shall:</p> <p>(a) Consider the factors that, in the auditor’s professional judgement, are significant in directing the engagement team’s efforts in respect of the audit of service performance information.</p> <p>(b) Determine the timing of when to evaluate whether the entity’s service performance information is appropriate and meaningful.</p>	<p>(a) Consider the factors that, in the auditor’s professional judgement, are significant in directing the engagement team’s efforts in respect of the audit of service performance information.; and</p> <p>(b) Determine the timing of when to evaluate whether the entity’s service performance information is appropriate and meaningful.</p> <p>(c) Determine the resources needed to perform the audit engagement in respect of the service performance information.</p> <p>...</p> <p>11.3.2. The auditor shall update and change the scope, timing and direction as necessary during the audit.</p> <p><i>Part 3 requires the engagement partner to determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner. The auditor’s determination of the resources needed to perform the audit of service performance information are a matter of professional judgement.</i></p>	<p>Intro of 11.3.1. based on Para 10.2.1, also para 20 of NZAS1R to provide the point that the engagement is concurrent with auditing financial statements.</p> <p>Para 21: Yes – (a) and (b) carried over to 11.3.1. Added para (c), based on para 10.2.1.(b) as at the planning stage, auditors need to determine resources needed relevant to the audit of SPI.</p> <p>“Audit plan” of para 20 of NZAS1R = “scope, timing and direction” of ISA for LCE. Documentation requirement of an audit plan is in para 5.5.</p> <p>Added para 11.3.2, based on para 5.2.6. to emphasise that the audit plan is an iterative process.</p> <p><b>Do the changes result in requirements that still achieve reasonable assurance? Y</b></p>
	<p>22. The auditor shall discuss with those charged with governance: (Ref: Para. A31-A33)</p> <p>(a) What elements/aspects of service performance and performance measures and/or</p>	<p>11.3.3. The auditor shall discuss with those charged with governance:</p> <p>(a) What elements/aspects of service performance and performance measures and/or descriptions the</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Y</b></p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE? Y</b></p>

	<p>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; and                  23. Any concerns identified shall then be communicated to those charged with governance as soon as practicable.</p>	<p>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; and                  11.3.4. Any concerns identified arising from the discussions in 11.3.3. shall then be communicated to those charged with governance as soon as practicable.</p>	<p>Para 22-23: amended slightly so 11.3.4. refers back to 11.3.3.   <b>Do the changes result in requirements that still achieve reasonable assurance? Y</b></p>
<p>Compliance With the Applicable Financial Reporting Framework                   ISA for LCE: Applicable Financial Reporting Framework</p>	<p>24. The auditor shall evaluate whether the service performance information reported or intended to be reported is in accordance with the applicable financial reporting framework. (Ref: Para. A34)</p>	<p>11.5.1. The auditor shall evaluate whether the service performance information reported or intended to be reported is in accordance with the applicable financial reporting framework.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? y</b>  <b>Should / could the requirement be revised or modified for the circumstances of an LCE? No -</b>                  Overall, requirements appear clear, simple and concise.</p>
<p>Appropriate and Meaningful                   ISA for LCE: Appropriate and Meaningful</p>	<p>25. The auditor shall evaluate whether the service performance information is appropriate and meaningful including whether: (Ref: Para. A9, A35, A42-A44)                  (a) It fairly reflects the auditor's understanding of the entity's performance from all other audit work performed on the audit. (Ref: Para. A36)                  (b) It is likely to meet the needs of the intended user to enable an informed assessment of the entity's service performance. (Ref: Para. A37-A38)                  (c) It relates to an element/aspect of service performance that significantly</p>	<p>11.5.2. The auditor shall evaluate whether the service performance information is appropriate and meaningful including whether:                  (a) It fairly reflects the auditor's understanding of the entity's performance from all other audit work performed on the audit.                  (b) It is likely to meet the needs of the intended users to enable an informed assessment of the entity's service performance.                  (c) It relates to an element/aspect of service performance that significantly contributes to the entity's core purpose, functions or objectives.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b>                  yes  <b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b>                  No - Overall, requirements appear clear, simple and concise.</p>

	<p>contributes to the entity's core purpose, functions or objectives. (Ref: Para. A39)</p> <p>(d) There is likely to be sufficient appropriate evidence to support the performance measure and/or description.</p> <p>(e) It is capable of measurement or evaluation in a consistent manner from period to period. (Ref: Para. A40-A41)</p> <p>(f) It 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.</p>	<p>(d) There is likely to be sufficient appropriate evidence to support the performance measure and/or description.</p> <p>(e) It is capable of measurement or evaluation in a consistent manner from period to period.</p> <p>(f) It 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.</p>	
<p>Compliance With Laws and Regulations</p> <p>ISA for LCE: Laws and Regulations</p>	<p>26. The auditor shall obtain sufficient appropriate audit evidence that the entity has complied with laws and regulations that have a direct material effect on the reporting of service performance information.</p>	<p>11.5.3. The auditor shall obtain sufficient appropriate audit evidence that the entity has complied with laws and regulations that have a direct material effect on the reporting of service performance information.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b></p> <p>Yes – still important to consider laws and regs for SPI.</p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b> N - Overall, requirements appear clear, simple and concise.</p>
<p>Materiality</p> <p>ISA for LCE: Materiality</p>	<p>27. The auditor shall use the understanding gained in paragraphs 15-19 to determine the significant elements/aspects of service performance. (Ref: Para. A45-A46)</p> <p>28. The auditor shall determine and document materiality considerations and/or materiality for service performance information to determine the: (Ref: Para. A9, A47-A50)</p> <p>(a) Nature, timing and extent of further audit procedures; and</p> <p>(b) The auditor's tolerance for misstatement in relation to material</p>	<p>11.6.1. The auditor shall:</p> <p>(a) Using the understanding gained in part 11.4, determine the significant elements/aspects of service performance.</p> <p>(b) Determine materiality considerations and/or materiality for service performance information</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b> Yes</p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b> Yes</p> <p>Combine 27 + 28 (except sub bullet points) into 11.6.1 28(a) &amp; 28(b) include in EEM, which follows how it is presented in EEM at para 4.3.2</p> <p>Documentation requirement in para. 28 is moved to 11.21.2 (in the specific documentation requirements section).</p>

	<p>service performance measures and/or descriptions.</p> <p>29. The auditor shall apply materiality to assess whether: (Ref: Para. A51-A59)  (a) The significant elements/aspects of service performance and related material performance measures and/or descriptions are appropriate and meaningful; and (Ref: Para. A51-A52)  (b) The performance measures and/or descriptions, measurement bases or evaluation methods contain individual or collective misstatements, that based on the auditor's judgement, are likely to influence the decisions of the intended users based on the information.</p> <p>30. The auditor shall revise the judgements made in determining materiality for the service performance information if matters come to the auditor's attention during the audit that would have caused the auditor to make a different materiality judgement.</p>	<p>11.6.2. The auditor shall apply materiality to assess whether:  (a) The significant elements/aspects of service performance and related material performance measures and/or descriptions are appropriate and meaningful; and  (b) The performance measures and/or descriptions, measurement bases or evaluation methods contain individual or collective misstatements, that based on the auditor's judgement, are likely to influence the decisions of the intended users based on the information.</p> <p>11.6.3. If the auditor becomes aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially, the auditor shall revise materiality for the service performance information.</p> <p>...</p> <p><b>Specific Documentation Requirements</b>  11.21.2. In applying paragraph 11.6.1, the auditor shall document materiality considerations and/or materiality for service performance information.</p>	<p>29 – include as para 11.6.2  30 –rewrite as para 11.6.3, to align with para 5.3.4.</p> <p><b>Do the changes result in requirements that still achieve reasonable assurance? Yes</b></p>
<p>Materiality  ISA for LCE:  Evaluation of</p>	<p>31. The auditor shall consider individually or collectively, all misstatements identified, other than those that are clearly trivial, that are</p>	<p>11.10.1. In applying Part 8, the auditor shall consider individually or collectively, all misstatements identified, other than those that are clearly trivial, that are</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes</b>  <b>Should / could the requirement be revised or modified for the circumstances of an LCE? Yes – link</b></p>

<p>Misstatements Identified During the Audit of Service Performance Information</p>	<p>uncorrected by the entity, to conclude whether the service performance information is materially misstated. (Ref: Para. A54-A59)</p>	<p>uncorrected by the entity, to evaluate whether the service performance information is free from material misstatement.</p>	<p>back to part 8.2 (evaluation of misstatements identified during the audit) Change “conclude whether the service performance information is materially misstated” to “evaluate whether the service performance information is free from material misstatement.” to follow para 8.2.1</p> <p><b>Do the changes result in requirements that still achieve reasonable assurance? Yes</b></p>
<p>Identifying and Assessing Risks of Material Misstatement  ISA for LCE: Identifying and Assessing the Risks of Material Misstatement</p>	<p>32. The auditor shall design and perform risk assessment procedures, in accordance with ISA (NZ) 315 (Revised 2019) to obtain audit evidence that provides an appropriate basis for identification and assessment of risks of material misstatement, whether due to fraud or error: (a) At the service performance information level; and (b) At the assertion level for performance measures, descriptions or disclosures. (Ref: Para. A60-A62) 33. The auditor shall determine whether any of the assessed risks of material misstatement are significant risks. (Ref: Para. A63)</p>	<p>11.7.1. In applying part 6.4. and based on the understanding obtained in part 11.4., the auditor shall identify and assess the risks of material misstatement, whether due to fraud or error, of the service performance information: (a) At the service performance information level. In doing so, the auditor shall determine whether they affect risks at the assertion level and consider the nature and extent of the pervasive effect of identified risks on the service performance information; and (b) At the assertion level for performance measures, descriptions or disclosures. In doing so, the auditor shall: (i) Determine the relevant assertions and related significant performance measures, descriptions or disclosures; and (ii) Assess inherent risk for identified risks of material misstatement at the assertion level by assessing the likelihood and magnitude of misstatement.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b> Para 32 – yes, Para 33 - yes</p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b>  Yes, referred back to Part 6, rather than ISA 315. Used wording based on para 6.4.1 when writing 11.7.1.</p> <p><b>Do the changes result in requirements that still achieve reasonable assurance? Yes</b></p>

		<p><i>Significant Risks</i></p> <p><i>In addition to the requirements regarding significant risks in Part 6.4., specific matters relevant to this Part are described below.</i></p> <p>11.7.2. The auditor shall determine whether any of the assessed risks of material misstatement of the service performance information are, in the auditor's professional judgement, a significant risk.</p>	
<p>The Auditor's Responses to Assessed Risks</p> <p>ISA for LCE: Audit Procedures Responsive to the Assessed Risks of Material Misstatement</p>	<p>34. The auditor shall design and perform procedures whose nature, timing and extent:</p> <p>(a) Are responsive to assessed risks of material misstatement at the assertion level; and</p> <p>(b) Allow the auditor to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement.</p> <p>35. The auditor's procedures shall include obtaining sufficient appropriate audit evidence as to the operating effectiveness of controls over the service performance information when:</p> <p>(a) The auditor's assessment of the risk of material misstatement includes the expectation that controls are operating effectively; or</p> <p>(b) Where procedures other than tests of controls cannot provide sufficient appropriate audit evidence.</p> <p>36. Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for all</p>	<p>11.8.4. The auditor shall design and perform procedures whose nature, timing and extent are based on, and responsive to, assessed risks, whether due to fraud or error, at the assertion level.</p> <p>11.8.5. In designing the further audit procedures, the auditor shall:</p> <p>(a) Consider the reasons for the assessment given to the risk of material misstatement at the assertion level for each significant performance measure, description or disclosure, including:</p> <p>(i) The likelihood and magnitude of misstatement due to the characteristics of the significant performance measure, description or disclosure (that is, the inherent risk); and</p> <p>(ii) Whether the risk assessment takes account of controls that</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b> yes</p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b> Para 34 (a) is rewritten as 11.8.4, aligned with para 7.3.1</p> <p>Not using para 34 (b) audit evidence – as auditors are required to have sufficient appropriate audit evidence by part 11.9 and part 2.2</p> <p>Added 11.8.5 based on 7.3.2.</p> <p>Para 35, requirements over control risk is included in 11.8.5., albeit rewritten to align with 7.3.2 in the ISA for LCE (as para 35 is written to be used with ISA(NZ)315R)</p> <p>Para 36 is included as 11.8.6.</p> <p><b>Do the changes result in requirements that still achieve reasonable assurance?</b> na</p>

	<p>material service performance information.</p>	<p>address the risk of material misstatements (that is, the control risk), thereby requiring the auditor to obtain audit evidence to determine whether the controls are operating effectively (where the auditor plans to test the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures);</p> <p>(b) Obtain more persuasive audit evidence the higher the auditor's assessment of risk;</p> <p>(c) In designing and performing tests of controls, obtain more persuasive audit evidence the greater the reliance the auditor places on the operating effectiveness of controls; and</p> <p>(d) If the auditor intends to test the operating effectiveness of controls or when substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level, design and perform tests of controls, to obtain sufficient appropriate audit evidence as to the operating effectiveness of such controls</p>	
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<p>Audit evidence ISA for LCE: Sufficient Appropriate Audit Evidence</p>	<p>37. The auditor shall obtain sufficient appropriate audit evidence that the: (Ref: Para. A64-A66) (a) Elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods are appropriate and meaningful; and (b) Performance measures and/or descriptions have been prepared in accordance with the entity's measurement bases or evaluations methods; and (c) Performance measures and/or descriptions are not materially misstated.</p> <p>38. Where possible the auditor shall draw on relationships that exist between the service performance information and the financial statements. (Ref: Para. A67-A68)</p> <p>40. The auditor shall obtain sufficient appropriate audit evidence about whether any disclosures of judgements related to service performance information are reasonable in the context of the requirements of the applicable financial reporting framework.</p>	<p>11.9.1. The auditor shall obtain sufficient appropriate audit evidence that the: (a) Elements/aspects of service performance, performance measures and/or descriptions, and measurement bases or evaluation methods are appropriate and meaningful; and (b) Performance measures and/or descriptions have been prepared in accordance with the entity's measurement bases or evaluations methods; and (c) Performance measures and/or descriptions are not materially misstated.</p> <p>11.9.2. The auditor shall, to the extent practicable, draw on the relationships that exist between the service performance information and the financial statements.</p> <p>11.9.3. The auditor shall obtain sufficient appropriate audit evidence about whether any disclosures of judgements related to service performance information are reasonable in the context of the requirements of the applicable financial reporting framework.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes</b></p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b></p> <p>37 – at 11.9.1 – kept same wording.</p> <p>38 – yes but reworded slightly as 11.9.2</p> <p>40 – at 11.9.3 – kept same wording.</p>

	<p>39. The auditor shall determine whether information to be used as audit evidence has been prepared using the work of a management's expert. (Ref: Para. A69)</p>	<p>...</p> <p><i>Using the Work of Management's Expert</i></p> <p>11.3.5. The auditor shall determine whether information to be used as audit evidence has been prepared using the work of a management's expert.</p> <p><i>The requirements for when the auditor uses the work of a management's expert are set out in paragraphs 5.2.9 and 7.4.29</i></p>	<p>39 – yes, at 11.3.5 also add EEM to link back to para 5.2.9 and 7.4.29. Place this para in “specific focus area” section of the ISA for LCE in line with para 7.4.29 of the ISA for LCE.</p> <p><b>Do the changes result in requirements that still achieve reasonable assurance? Yes</b></p>
<p>Communicating with Those Charged with Governance</p> <p>ISA for LCE: Specific Communications Requirement</p>	<p>41. The auditor shall communicate, unless prohibited by law and regulation, the following matters with those charged with governance: (Ref: Para. A70)</p> <p>(a) Any significant risks identified with the service performance information.</p> <p>(b) The auditor's views about significant judgements made in reporting the entity's service performance information, including any significant deficiencies or areas for improvement. (Ref: Para. A71)</p> <p>(c) Significant difficulties, if any, encountered during the audit. (Ref: Para. A72)</p> <p>(d) Unless all of those charged with governance are involved in managing the entity, significant matters arising during the audit that were discussed, or subject to correspondence with management. (Ref: Para. A73)</p>	<p>11.20.1. The auditor shall communicate, unless prohibited by law and regulation, the following matters with those charged with governance:</p> <p>(a) Any significant risks identified with the service performance information.</p> <p>(b) The auditor's views about significant judgements made in reporting the entity's service performance information, including any significant deficiencies or areas for improvement.</p> <p>(c) Significant difficulties, if any, encountered during the audit of service performance information.</p> <p>(d) Unless all of those charged with governance are involved in managing the entity, significant matters arising during the audit that were discussed, or subject to correspondence with management.</p> <p>(e) Matters involving non-compliance with laws and regulations with respect to service performance reporting obligations.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? yes</b></p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b></p> <p>No - Overall, requirements appear clear, simple and concise.</p>

	<p>(e) Matters involving non-compliance with laws and regulations with respect to service performance reporting obligations.</p> <p>(f) Deficiencies in internal control with respect to the service performance information that, in the auditor's professional judgement, are of sufficient importance to merit attention.</p> <p>(g) Uncorrected misstatements and the effect that they, individually or in aggregate, may have on the opinion on the service performance information in the auditor's report and request that they are corrected.</p> <p>(h) Any modifications including the circumstances and the wording the auditor expects to make to the opinion relating to service performance information in the auditor's report.</p>	<p>(f) Deficiencies in internal control with respect to the service performance information that, in the auditor's professional judgement, are of sufficient importance to merit attention.</p> <p>(g) Uncorrected misstatements and the effect that they, individually or in aggregate, may have on the opinion on the service performance information in the auditor's report and request that they are corrected.</p> <p>(h) Any modifications including the circumstances and the wording the auditor expects to make to the opinion relating to service performance information in the auditor's report.</p>	
<p>Special Considerations: An Entity Using a Service Organisation, Groups and Using the Work of Another Practitioner</p> <p>ISA for LCE: Specific Focus Areas</p>	<p>42. When planning the audit of service performance information, the auditor shall:</p> <p>(a) Where a service organisation is used, obtain an understanding of the nature and significance of the services provided by the service organisation and their effect on the user entity's internal control relevant to the audit of service performance information sufficient to identify and assess the risks of material misstatement and design, and perform audit procedures responsive to those risks in accordance with ISA (NZ) 402. (Ref: Para. A74)</p> <p>(b) Where the service performance information relates to a</p>	<p><i>Using the Services of a Service Organisation</i></p> <p>11.19.1. In applying part 7.4, if the entity is using the services of a service organisation in the context of service performance information, the auditor shall:</p> <p>(a) Determine whether sufficient appropriate audit evidence concerning the relevant service performance information assertions is available at the entity; and, if not,</p> <p>(b) Perform further audit procedures to obtain sufficient appropriate audit evidence.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b> Partly</p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b> Yes –</p> <p>42(a) Included as discussed with committee. Use of service organisation may still be applicable in audits of service performance information of LCEs. Have based requirements on para 7.4.28.</p> <p>42(b) use the key requirement but make it more simple and concise. (don't need to include "in order to express an opinion on whether the group's service performance information is prepared, in all material respects, in accordance with the applicable financial reporting framework" As this is the objective of Part 11 anyway)</p>

	<p>group, obtain sufficient appropriate audit evidence regarding the service performance information of the components and the aggregation or consolidation process in order to express an opinion on whether the group's service performance information is prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A75)</p> <p>(c) Where the service performance information includes information upon which another practitioner has expressed an opinion, communicate clearly with the other practitioner, when the auditor intends to use the work of another practitioner about the scope and timing of the work and findings of the other practitioner, and evaluate the sufficiency and appropriateness of evidence obtained and the process for including related information in the service performance information. (Ref: Para. A76)</p>	<p><i>Audit of Group Service Performance Information</i></p> <p>11.19.2. If applying Part 10, the auditor shall obtain sufficient appropriate audit evidence regarding:</p> <ul style="list-style-type: none"> <li>(a) the service performance information of the components; and</li> <li>(b) the aggregation or consolidation process as it relates to the service performance information.</li> </ul>	<p>42(c) – Unlikely to be applicable for an LCE audit, have confirmed this with the committee. Therefore, will not include in Part 11.</p> <p><b>Do the changes result in requirements that still achieve reasonable assurance? Yes</b></p>
<p>Using the Work of an Auditor's Expert ISA for LCE: Determining Whether to Use the Work of an Auditor's Expert</p>	<p>43. The auditor shall determine whether specialised skills or knowledge are required regarding the service performance information and whether to use the work of an auditor's expert. (Ref: Para. A77)</p>	<p>11.3.6. If expertise in a field other than accounting or auditing is necessary to obtain sufficient appropriate audit evidence regarding the service performance information, the auditor shall determine whether to use the work of an auditor's expert.</p> <p><i>Paragraphs 5.2.10. and 7.4.30. set out the auditor's responsibilities when using the work of an auditor's expert.</i></p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes,</b></p> <p>Also covered in para 5.2.10 + 7.4.30, so add EEM to refer to Part 5 and Part 7.</p> <p>EEM from para 10.2.1</p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE? Y</b></p> <p><b>Do the changes result in requirements that still achieve reasonable assurance? Y</b></p>

<p>Written Representations ISA for LCE: Written Representations</p>	<p>44. The auditor shall request written representations from those charged with governance that they have fulfilled their responsibility for: (Ref: Para. A78) (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 those charged with governance determine is necessary to enable the preparation of the service performance information that is free from material misstatement, whether due to fraud or error.</p>	<p>11.11.1. In applying Part 8, the auditor shall obtain written representations regarding service performance information from those charged with governance, who have appropriate knowledge of the matters concerned and responsibility for the service performance information, that they have fulfilled their responsibility for:</p> <p>(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.</p> <p>(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.</p> <p>(c) The overall presentation, structure and content of the service performance information in accordance with the applicable financial reporting framework.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b> Yes, <b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b> Yes – however consistent with the illustrative letter of representation – para 44(d) is not included.</p> <p><b>Do the changes result in requirements that still achieve reasonable assurance? Y</b></p>
<p>Forming an Opinion</p>	<p>45. The auditor shall form an opinion on whether the service performance information is prepared,</p>	<p>11.12.1. In applying Part 9, the auditor shall form an opinion on whether the service performance information is prepared, in</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b> Yes,</p>

<p>ISA for LCE: Forming an Opinion on the Service Performance Information</p>	<p>in all material respects, in accordance with the applicable financial reporting framework.</p> <p>46. In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the service performance information is free from material misstatement, whether due to fraud or error. That conclusion shall take into account:</p> <p>(a) Whether sufficient, appropriate audit evidence has been obtained;</p> <p>(b) Whether uncorrected misstatements are material, individually or collectively; and</p> <p>(c) The auditor’s evaluation of whether the service performance information is prepared, in all material respects, in accordance with the entity’s measurement bases or evaluation methods, in accordance with the applicable financial reporting framework.</p> <p>47. The auditor shall conclude whether, in view of the applicable financial reporting framework:</p> <p>(a) The entity has presented service performance information that is appropriate and meaningful.</p> <p>(b) The measurement bases or evaluation methods are available to intended users. (Ref: Para. A79-A80)</p>	<p>all material respects, in accordance with the applicable financial reporting framework.</p> <p>11.12.2. In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the service performance information is free from material misstatement, whether due to fraud or error. That conclusion shall take into account:</p> <p>(a) Whether sufficient appropriate audit evidence has been obtained as required by paragraph 11.9.1;</p> <p>(b) Whether uncorrected misstatements are material, individually or in aggregate; and</p> <p>(c) The evaluations required by paragraphs 11.12.3. to 11.12.5.</p> <p>11.12.3. The auditor shall evaluate whether the service performance information is prepared, in all material respects, in accordance with the entity’s measurement bases or evaluation methods, in accordance with the applicable financial reporting framework.</p> <p>11.12.4. When the service performance information is prepared in accordance with a fair presentation framework, the auditor shall also evaluate whether the service performance information achieves fair presentation. This evaluation shall include consideration of whether:</p> <p>(a) The overall presentation of the service performance information has been undermined by including information that is not relevant or that obscures a proper</p>	<p><b>Should / could the requirement be revised or modified for the circumstances of an LCE? Yes</b> Rewritten slightly align with Part 9.2.</p> <p>45: at 11.12.1 46: at 11.12.2. but move 42(c) to 11.12.3. which aligns with presentation of para 9.2.2.</p> <p>47: at 11.12.4. in line with NZSRE1, para 47(a) and (b) apply when there is a fair presentation framework, so have reworded the introduction of para 11.12.4 to include mention of fair presentation framework.</p>
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	<p>(c) When the information is prepared in accordance with a fair presentation framework, the service performance information achieves fair presentation, including whether:</p> <p>(i) The overall presentation of the service performance information has been undermined by including information that is not relevant or that obscures a proper understanding of the matters disclosed;</p> <p>(ii) The overall presentation, structure and content of the service performance information represents the service performance of the entity in a manner that achieves fair presentation; and</p> <p>(iii) The disclosure of the judgements made in reporting the service performance information, if applicable, is reasonable.</p>	<p>understanding of the matters disclosed;</p> <p>(b) The entity has presented service performance information that is appropriate and meaningful;</p> <p>(c) The measurement bases or evaluation methods are available to intended users;</p> <p>(d) The overall presentation, structure and content of the service performance information represents the service performance of the entity in a manner that achieves fair presentation; and</p> <p>(e) The disclosure of the judgements made in reporting the service performance information, if applicable, is reasonable.</p> <p>...</p> <p>11.12.5. This auditor shall consider any matters arising during the audit of the financial statements that may affect the auditor's evaluation of the service performance information.</p> <p>11.12.6. The auditor shall consider the impacts of any matters arising during the audit of</p>	
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	<p>48. The auditor shall consider:</p> <p>(a) Any matters arising during the course of the audit of the financial statements that may affect the auditor's evaluation of the service performance information.</p> <p>(b) The impacts of any matters arising during the audit of the service performance information that may affect the auditor's evaluation of the financial statements.</p>	<p>the service performance information that may affect the auditor's evaluation of the financial statements.</p>	<p>Have split out para 48 as they cover different topics</p> <p>48(a): at 11.12.5. 48(b): at 11.12.6</p> <p>Also changed consider to <i>evaluate</i> – reaches the same end result (i.e. you still conclude on an evaluation) but the use of the word evaluate fits better with the section.</p> <p><b>Do the changes result in requirements that still achieve reasonable assurance? Y</b></p>
<p>Report Content</p> <p>ISA for LCE: Form of Opinion</p>	<p>49. The auditor'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 ISA (NZ) 700 (Revised) as applicable to the service performance information. (Ref: Para. A81-A82, A84)</p> <p>50. The opinion section of the auditor's report shall:</p> <p>(a) Identify the service performance information;</p> <p>(b) State that the service performance information has been audited;</p> <p>(c) Identify the applicable financial reporting framework; and</p> <p>(d) Refer to the measurement bases or evaluation methods (Ref: Para. A83)</p> <p>51. In addition to the requirements addressing financial statements in ISA (NZ) 700 (Revised), the auditor's report shall:</p> <p>(a) State, in the basis for opinion section, that the audit of the service performance information was conducted in accordance with International Standards on Auditing</p>	<p>11.13.1. The auditor's report on the financial statements and the service performance information shall be included in a single report.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Y</b></p> <p>Partly</p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE? Y</b></p> <p>Para 49 – Y – just the first half of the sentence, as the elements required are shown in the illustration at 11.14.</p> <p>Para 50+51 – Included in the illustrative so not included [an illustration of the report is provided rather than listing the sections required of the report.]</p> <p><b>Do the changes result in requirements that still achieve reasonable assurance? Y</b></p>



<p>(New Zealand) and New Zealand Auditing Standard 1 (Revised);</p> <p>(b) Describe the responsibilities of those charged with governance for:</p> <p>(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.</p> <p>(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.</p> <p>(iii) The overall presentation, structure and content of the service performance information in accordance with the applicable financial reporting framework.</p> <p>(iv) Such internal control as those charged with governance determine is necessary to enable the preparation of service performance information that is free from material misstatement, whether due to fraud or error.</p> <p>When the financial report is prepared in accordance with a fair presentation framework, the description of responsibilities shall refer to "the preparation and fair presentation of the service performance information" or the</p>		
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<p>“preparation of service performance information that gives a true and fair view” as appropriate in the circumstances.</p> <p>(c) In the “auditor’s responsibilities” section describe the audit of the service performance information by stating that, in accordance with the ISAs (NZ) and this New Zealand Auditing Standard, the auditor’s responsibilities are to:</p> <p>(i) Obtain an understanding of the process applied by the entity to select its elements/aspects of service performance, performance measures and/or descriptions and the measurement bases or evaluation methods.</p> <p>(ii) Evaluate whether the selection of elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods present an appropriate and meaningful assessment of the entity’s service performance in accordance with the applicable financial reporting framework.</p> <p>(iii) Evaluate whether the selected service performance information is prepared in accordance with the entity’s measurement bases or evaluation methods, in accordance with the applicable financial reporting framework.</p> <p>(iv) Evaluate whether the overall presentation, structure and content of the service performance information represents the elements/aspects of service</p>		
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	performance in accordance with the applicable financial reporting framework, including where relevant its fair presentation.		
Key Audit Matters	52. The auditor may be required or may voluntarily report key audit matters in the auditor's report in accordance with ISA (NZ) 701 . If reported, where, in the auditor's judgement matters related to service performance information were of most significance to the audit, key audit matters shall include matters related to service performance. (Ref: Para. A85)	Not required	<b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? No</b> <b>Should / could the requirement be revised or modified for the circumstances of an LCE? NO</b> – key audit matters are not applicable in an ISA for LCE audit.
Modifications to the Opinion in the Independent Auditor's Report ISA for LCE: Modifications to the Opinion	53. The auditor shall modify the opinion, with respect to the service performance information when: (a) The auditor 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 auditor concludes, based on the audit evidence obtained, that the service performance information is not individually or collectively free from material misstatement, or (Ref: Para. A86) (c) The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the service performance information, as	11.15.1. The auditor shall modify the opinion in the auditor's report, with respect to the service performance information when: (a) The auditor 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 auditor concludes, based on the audit evidence obtained, that the service performance information is not individually or collectively free from material misstatement, or (c) The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the service performance information, as a whole, is free from material misstatement.	<b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes</b>  <b>Should / could the requirement be revised or modified for the circumstances of an LCE: Y</b> can be brought across with little editing.  <b>Do the changes result in requirements that still achieve reasonable assurance? Y</b>

	<p>a whole, is free from material misstatement.</p> <p>54. When the auditor modifies the opinion with respect to the service performance information, the auditor shall consider the effect of the modification on the opinion on the financial statements. (Ref: Para. A87)</p> <p>55. When the auditor modifies the audit opinion with respect to the service performance information only, the audit opinion shall clearly indicate that the opinion on the financial statements is not modified. The auditor shall use the headings “Qualified Opinion on the Service Performance Information”, “Adverse Opinion on the Service Performance Information” or “Disclaimer of Opinion on the Service Performance Information” as appropriate. The opinion with respect to the financial statements shall use the heading “Opinion on the Financial Statements”.</p> <p>56. If the auditor modifies the opinion on the financial statements, the auditor shall consider the effect of the modification on the opinion on the service performance information.</p>	<p>11.15.2. When the auditor modifies the opinion with respect to the service performance information, the auditor shall consider the effect of the modification on the opinion on the financial statements.</p> <p>11.15.3. When the auditor modifies the audit opinion with respect to the service performance information only, the audit opinion shall clearly indicate that the opinion on the financial statements is not modified. The auditor shall use the headings “Qualified Opinion on the Service Performance Information”, “Adverse Opinion on the Service Performance Information” or “Disclaimer of Opinion on the Service Performance Information” as appropriate. The opinion with respect to the financial statements shall use the heading “Opinion on the Financial Statements”.</p> <p>11.15.4. If the auditor modifies the opinion on the financial statements, the auditor shall consider the effect of the modification on the opinion on the service performance information.</p>	
<p>Emphasis of Matter Paragraphs and Other Matter Paragraphs ISA for LCE: Other Paragraphs in the</p>	<p>57. If the auditor considers it necessary to draw users’ attention to a matter presented or disclosed in the service performance information, that in the auditor’s judgement, is of such importance that it is fundamental to users’ understanding of the service performance information, the auditor shall include in the</p>	<p><i>Emphasis of Matter Paragraphs</i></p> <p>11.16.1. If the auditor considers it necessary to draw users’ attention to a matter presented or disclosed in the service performance information that, in the auditor’s professional judgement, is of such importance that it is fundamental to the users’ understanding of the service performance information, and the auditor</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Y</b>  <b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b></p> <p>Y –          Para 57: for EOM base the paragraph on 9.6.1 of ISA for LCE and the nzas1r requirement.          Para 58: use para 9.6.2 plus the nzas1r requirements</p>

<p>Auditor's Report</p>	<p>an Emphasis of Matter paragraph in the auditor's report. (Ref: Para. A88)</p> <p>58. If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the service performance information, that in the auditor's judgement, is relevant to users' understanding of the audit of service performance information, the auditor shall include an Other Matter paragraph in the auditor's report. (Ref: Para. A88)</p>	<p>would not be required to modify the opinion as a result of that matter, the auditor shall include an Emphasis of Matter paragraph in the auditor's report indicating that the auditor's report is not modified in respect of the matter emphasised.</p> <p><i>Other Matter Paragraphs</i></p> <p>11.16.2. If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the service performance information that, in the auditor's professional judgement, is relevant to the users' understanding of the audit, the auditor's responsibilities or the auditor's report the auditor shall include an Other Matter paragraph in the auditor's report provided this is not prohibited by law or regulation.</p>	<p><b>Do the changes result in requirements that still achieve reasonable assurance? Y</b></p>
<p>Comparative Information ISA for LCE: Comparative Service Performance Information</p>	<p>59. The auditor shall determine whether:</p> <p>(a) Prior period comparative service performance information agrees with disclosures presented in the prior period or when appropriate, have been restated; and</p> <p>(b) The elements/aspects of service performance, performance measure and/or descriptions, or measurement bases or evaluation methods is consistent with the current period or, if there have been changes, whether those changes have been properly accounted for and adequately presented and disclosed.</p>	<p>11.17.1. In applying part 9.7, the auditor shall determine whether:</p> <p>(a) Prior period comparative service performance information agrees with disclosures presented in the prior period or when appropriate, have been restated; and</p> <p>(b) The elements/aspects of service performance, performance measure and/or descriptions, or measurement bases or evaluation methods is consistent with the current period or, if there have been changes, whether those changes have been properly accounted for and adequately presented and disclosed.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Y</b></p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE? Y, refer back to part 9.7, which covers comparative information.</b></p> <p><b>Do the changes result in requirements that still achieve reasonable assurance?</b></p>
<p>Prospective Service</p>	<p>60. Where the entity presents a comparison of published prospective</p>	<p>11.17.2 Where the entity presents a comparison of published prospective service</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b></p>

<p>Performance Information</p> <p>ISA for LCE: Prospective Service Performance Information</p>	<p>service performance information with the service performance information, the auditor shall:</p> <p>(a) Assess whether the prospective service performance information agrees with the information presented in the published prospective service performance information: or</p> <p>(b) Assess that any changes have been clearly explained in the service performance information.</p>	<p>performance information with the service performance information, the auditor shall:</p> <p>(a) Assess whether the prospective service performance information agrees with the information presented in the published prospective service performance information: or</p> <p>(b) Assess that any changes have been clearly explained in the service performance information.</p>	<p>Y – relevant to public sector entities</p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE? N</b></p>
<p>Other Information</p> <p>ISA for LCE: Other Information</p>	<p>61. The auditor shall read the other information and consider whether there is a material inconsistency between: (Ref: Para. A89-A90) (a) The other information and the service performance information; and (b) The other information and the auditor’s knowledge obtained in the audit.</p>	<p>11.18.1. In applying Part 9.8, the auditor shall read the other information, and:</p> <p>(a) Consider whether there is a material inconsistency between the other information and the service performance information; and</p> <p>(b) Consider whether there is a material inconsistency between the other information and the auditor’s knowledge obtained in the audit.</p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b></p> <p>Y</p> <p><b>Should / could the requirement be revised or modified for the circumstances of an LCE?</b></p> <p>Y – base this para on 9.8.2 in ISA for LCE.</p> <p><b>Do the changes result in requirements that still achieve reasonable assurance?</b></p> <p>Y</p>

## For information purposes only: Mapping document – Application material in NZ AS 1 (Revised) to proposed ISA (NZ) for LCE

This “mapping” document illustrates how the application material from NZ AS 1 (Revised) *The Audit of Service Performance Information* has, or has not, been incorporated as Essential Explanatory Material (EEM) within Part 11 of the proposed ISA (NZ) for LCE.

Prepared by XRB staff, this document is not an authoritative pronouncement of the XRB. It was created to facilitate the review of the proposed Part 11 of ISA (NZ) for LCE and does not form part of the materials on which we are seeking views. This document analyses each NZ AS 1 (Revised) Application material (AM) paragraph, using our own Alignment principles (as the IAASB’s alignment principles were focused on the alignment of requirements), to determine what elements should, or should not, be included in the ISA (NZ) for LCE. It does not aim to exhaustively explain the reasons behind each adjustment.

In order to keep the standard concise and succinct there is limited essential explanatory material (EEM). Judgment has been used as to what EEM is included (and broadly reflects the relevant ISA application or other explanatory material). EEM has been included to further explain concepts or procedures in the requirements or why procedures are undertaken, but generally does not explain ‘how’ the procedures should be implemented (e.g., there are no detailed examples).

Section	Text NZ AS 1 (Revised)	ISA for LCE	Comparison, using the Alignment principles
Introduction – Application Material	A1. Service performance reporting requirements are generally less prescribed than financial information which may result in varied service performance reporting between similar entities and industries. The format of the information is not prescribed, and information may be presented outside the annual report and may be incorporated by cross reference. The auditor may benefit from early engagement with the entity to understand the entity’s service performance reporting process, where it intends to report its service performance information and address any challenges that may arise to evaluate whether the service performance information is appropriate and meaningful as required by paragraph 25.	EEM below 11.1.1. <i>The auditor may benefit from early engagement with the entity to understand the entity’s service performance reporting process, where it intends to report its service performance information and address any challenges that may arise to evaluate whether the service performance information is appropriate and meaningful as required by the ISA (NZ) for LCE.</i>	<b>Is the AM (Application Material) relevant and appropriate in the circumstances of an audit of an LCE?</b> Partly – Drafting principle: “Not including material in the ISA for LCEs that is lengthy, educational or background in nature”, therefore not suitable for ISA for LCE.  However, we recognise that it is important for the auditor to engage early with the client, therefore have included the second part of para A1 into EEM below 11.1.1  <b>Should / could the AM be revised or modified for the circumstances of an LCE?</b> Yes <b>Do the changes result in EEM (Essential Explanatory Material) that aligns with drafting principles and ISA for LCE?</b> Yes
Scope of the Standard – Application Material	A2. 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.	Not required	<b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b> Not required – implied in the scope of the standard (requirements section) Drafting principle: “Not including material in the ISA for LCEs that is lengthy, educational or background in nature”, therefore not suitable for ISA for LCE. <b>Should / could the AM be revised or modified for the circumstances of an LCE?</b> No

<p><b>Objective – Application Material</b></p>	<p>A3. Examples that the auditor may consider to assess whether the aspects of service performance information are appropriate and meaningful include:</p> <ul style="list-style-type: none"> <li>• The elements/aspects of service performance that the entity has selected to report on. For example, provide safe drinking water to stakeholders.</li> <li>• 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.</li> <li>• 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.</li> </ul>	<p>Not required</p>	<p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p> <p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE? No</b></p> <p>Part of this content is already in the EEM at 11.1.1 – not considered necessary to repeat. Drafting principles require conciseness – avoiding unnecessary repetition.</p> <p>In regards to the examples provided- they are not relevant to an LCE. Also, per drafting principles, there are no detailed examples in ISA for LCE, therefore this AM is not suitable for ISA for LCE</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE? No</b></p> <p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>
<p><b>General Requirements – Application Material</b></p>	<p>Conduct Engagement in Accordance with the ISAs (NZ)</p> <p>A4. This NZ AS supplements the ISAs (NZ). It expands on how the ISAs (NZ) are to be applied to the service performance information. This NZ AS includes specific requirements for the service performance information that are not explicitly dealt with by the ISAs (NZ) or where the application of the ISAs (NZ) differs as a result of the nature of the service performance information.</p> <p>A5. The applicability of each of the ISAs (NZ) to the service performance information requires careful consideration. For example, ISA (NZ) 240 , ISA (NZ) 540 (Revised) , and ISA (NZ) 550 are in principle, relevant. This is because the service performance information could be misstated as a result of fraud, misstated estimates as a result of measurement that is subject to estimation uncertainty, or the effect of related party transactions.</p>	<p>Not required</p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE? No</b> - paragraphs are specific to ISA (NZ), not applicable to ISA for LCE.</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE? No</b></p> <p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>
<p><b>General Requirements – Application Material</b></p>	<p><i>Professional Judgement and Professional Scepticism</i></p> <p>A6. 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 auditor</p>	<p>Not required</p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE? No</b> – this is educational and background in nature, therefore not suitable for ISA for LCE. Professional judgement requirements and EEM is already included in the ISA for LCE at para 1.4.3.- not considered necessary to repeat.</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE? No</b></p> <p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>



<p>Documentati on – Application Material</p>	<p>may find it helpful to seek out examples of service performance reporting of similar entities.</p> <p>A7. The following are examples of matters that the auditor may include in the audit documentation:</p> <ul style="list-style-type: none"> <li>• Planning: The overall engagement strategy, the engagement plan, capturing the nature of the plan, reflecting plans to make connections between the financial statements and service performance information, any significant changes made during the engagement, and the reasons for the changes.</li> <li>• Risks of material misstatement: Key elements of the auditor’s understanding in accordance with paragraphs 15-19; including the sources of information from which the auditor’s understanding was obtained.</li> <li>• Procedures: The nature, timing and extent of the further audit procedures performed, the linkage of those further audit procedures with the risks of material misstatement, and the results of audit procedures.</li> <li>• Evaluation of misstatements: Misstatements identified during the engagement and whether they have been corrected, the auditor’s conclusion as to whether uncorrected misstatements are material, individually or collectively.</li> </ul> <p>A8. ISA (NZ) 230 notes that, an important factor in determining the form, content and extent of audit documentation of significant matters is the extent of professional judgement exercised in performing the work and evaluating the results. Documentation of the professional judgements made, where significant, serves to explain the auditor’s conclusions and to reinforce the quality of the judgement.</p> <p>A9. Examples of circumstances relating to the use of professional judgement to include in audit documentation include significant matters and judgements relating to:</p> <ul style="list-style-type: none"> <li>• whether the service performance information is appropriate and meaningful (Ref: Para. 25).</li> <li>• the factors considered in determining materiality and what measures are material. (Ref: Para. 28)</li> </ul>	<p>Not required</p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b> No – there are no detailed examples in ISA for LCE, the standard generally does not explain ‘how’ the procedures should be implemented. Therefore this AM is not suitable for ISA for LCE. General documentation requirements of the standard and related EEM is at Part 2.4.</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE?</b> No</p> <p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE?</b> Yes</p>
<p>Agreement on Audit Engagement Teams – Application Material</p>	<p>A10. The terms of the audit engagement include references to the service performance information.</p> <p>A11. An illustrative audit engagement letter including service performance information is set out in Appendix 2.</p> <p>Scope</p> <p>A12. Where the service performance information is not within the scope of the audit engagement, the auditor’s responsibility for the</p>	<p>A10: Not required A11: EEM under 11.2.1</p> <p><i>Appendix 2A sets out an illustrative engagement letter including service performance information.</i></p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b> Partly</p> <p>A10 is implied in para 11.2.1. and Appendix 2A, therefore not considered necessary to repeat. A11 is used, but refers to Appendix 2A of the ISA for LCE.</p>

	<p>service performance information is limited to following the requirements in ISA (NZ) 720 (Revised).</p> <p>A13. Some entities may be required to prepare information that is in addition to service performance information addressed in this standard and/or performance information that is required to be audited under legislation. For example, Crown Entities are required to include information on its obligation to be a good employer.</p> <p>A14. Differences between reporting and auditing requirements in legislation may have been identified by the entity or by the auditor. In some instances, the entity or the auditor may have identified performance information that would be useful or valuable to have audited and that falls outside the scope of what is required to be statutorily audited.</p> <p>A15. Some entities that are required by the applicable financial reporting framework to prepare service performance information, may not be required by law or regulation to have an audit. For example, some Tier 3 registered charities, and all Tier 4 registered charities may have no statutory audit requirements. Where the service performance information is not within the scope of the audit engagement, the auditor's responsibility for the service performance information is limited to following the requirements in ISA (NZ) 720 (Revised).</p>	<p>A12 &amp; A15: footnote under scope<sup>57</sup></p> <p>When the service performance information is not within the scope of the audit engagement, the auditor's responsibility for the service performance information is limited to following the requirements in Part 9.8.</p> <p>A13-A14: Not required</p>	<p>A12+A15 – added as a footnote to the scope of part 11 (page 118), to help auditors understand what they should do if the audit of SPI is not in the scope of the audit – they need to use Part 9.8 of the ISA for LCE.</p> <p>A13 -A14: No – there are no detailed examples in ISA for LCE, the standard generally does not explain 'how' the procedures should be implemented. Therefore this AM is not suitable for ISA for LCE. Also may not be relevant to a LCE.</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE? Yes</b>  <b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>
	<p>A16. Some entities are required by the applicable financial reporting framework to prepare entity information. For Tier 3 registered charities that have a statutory audit requirement, all information required to be prepared by the applicable reporting standard is required to be audited, including the entity information. When the entity information is not within scope of the audit engagement, the auditor's responsibility for the entity information is limited to following the requirements in ISA (NZ) 720 (Revised).</p>	<p><b>Footnote under scope (page 118)</b></p> <p>58 Some entities are required by the applicable financial reporting framework to prepare entity information, including 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. For Tier 3 registered charities and incorporated societies, which have a statutory audit requirement (under the Charities Act 2005 or Incorporated Societies Act 2022), all information required to be prepared by the applicable reporting standard is required to be audited, including the entity information. When the entity information is not within scope of the</p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE? Yes</b>          Amended with reference to the titles of the relevant standards and legislation. Also add cross-references to relevant ISA for LCE paragraphs when entity information is not in scope.</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE? Yes</b>  <b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>

		<p>audit engagement, the auditor’s responsibility for the entity information is limited to following the requirements in Part 11.18. and Part 9.8.</p>	
<p>Obtaining an Understanding – Application Material</p>	<p><i>Understanding the Entity (Ref: Para. 15)</i>  A17. The auditor may obtain an understanding through:  (a) Enquires with management and those charged with governance;  (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 newsletters.  • Entity’s public website.  • Charities register.  • Media reports.</p>	<p>Not required</p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b> No – there are no detailed examples in ISA for LCE per drafting principles, therefore not needed in ISA for LCE.  <b>Should / could the AM be revised or modified for the circumstances of an LCE?</b> Not required  <b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE?</b> Yes</p>
<p>Obtaining an Understanding – Application Material</p>	<p><i>Understanding Laws and Regulations (Ref: Para. 16)</i>  A18. Laws and regulations may differ among entities depending on their governing legislation.  A19. The scope of what service performance information the entity reports may be embodied in law or regulation specific to the entity, industry or sector in which the entity operates and, in particular, with laws and regulations that specify the form and content of service performance information or which describe the entity’s accountability.  A20. 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.  A21. 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 auditor is not required to assess whether the service performance information is appropriate and meaningful.</p>	<p><i>EEM at 11.4.2</i></p> <p><i>The scope of what service performance information the entity reports may be embodied in law or regulation specific to the entity, industry or sector in which the entity operates and, in particular, with laws and regulations that specify the form and content of service performance information or which describe the entity’s accountability.</i></p> <p><i>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.</i></p> <p><i>The provisions of those laws and regulations may require the entity to present particular service performance information which may</i></p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b>  A18: no – not considered necessary, is not essential to state, implied in para A19 anyway.  Yes A19-A21 as it covers scope, and is relevant to LCE’s, and LCEs in the public sector.  <b>Should / could the AM be revised or modified for the circumstances of an LCE?</b> Yes    <b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE?</b>  Yes</p>

		<p><i>be over and above any requirements to comply with the applicable financial reporting framework. As the reporting is required by law and regulation the auditor is not required to assess whether the service performance information is appropriate and meaningful.</i></p>	
<p><b>Obtaining an Understanding – Application Material</b></p>	<p>Understanding the Service Performance Information Reported (Ref: Para. 17)  A22. 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.  A23. 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 auditor 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 auditor 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 auditor carries out.  A24. 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</p>	<p>A22-A23, A25-A27: Not required.</p> <p>A24: Added as EEM under 11.4.3</p> <p><i>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 auditor 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.</i></p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b></p> <p>A22, A23 – no. this is more about what the entity has to do. Management bias is included in EEM in the assessment of inherent risk at 6.4.1 and in EEM at 11.7.1. Not considered necessary to repeat.</p> <p>A24: added, recognising that SPI is a relatively new form of reporting.</p> <p>A25-A27 - No – there are no detailed examples in ISA for LCE, the standard generally does not explain 'how' the procedures should be implemented. Therefore this AM is not suitable for ISA for LCE.</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE? Not required</b>  <b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE?</b>  Yes</p>

	<p>therefore be unable to include certain aspects of its service performance in its service performance information. The auditor 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.</p> <p>A25. 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 auditor 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.</p> <p>A26. Service performance information can also be located outside the service performance report. Such information can, for example, be included with the service performance reporting of another entity or in some other publication and/or published form (for example, a stand-alone service performance report or industry sector report). Service performance reporting can also be activity based rather than focused on the service performance of a single entity.</p> <p>Forecast Service Performance Information</p> <p>A27. When forecast service performance information is prepared, it may largely determine the service performance information that is reported.</p>		
<p>Obtaining an Understanding – Application Material</p>	<p>Understanding the Components of the Entity's System of Internal Control (Ref: Para. 18)</p> <p>A28. 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. 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 and require greater work effort by the auditor to gain an understanding.</p>	<p>Part of A28 is included in EEM below 11.8.2</p> <p><i>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 and require greater work effort by the auditor to gain an understanding</i></p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b></p> <p>A28: recognising that controls are different for SPI, have added part of A28 into EEM below 11.8.5</p> <p>A29: No – there are no detailed examples in ISA for LCE, therefore this AM is not suitable for ISA for LCE. Also some LCEs may not have internal management performance reviews due to their small size.</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE? yes</b></p> <p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? yes</b></p>

	<p>A29. Controls in the control activities component that may be relevant to the audit of the service performance information include policies and procedures that pertain to internal management performance reviews, such as reviews and analyses of actual performance versus budgets and relating different sets of data – operating or financial – to one another.</p>	<p><i>In some audits of service performance information, the auditor may not be able to identify many controls, or the extent of documentation prepared by the entity to which they exist or operate may be limited. In such cases, it may be more efficient for the auditor to perform further audit procedures that are primarily substantive procedures..</i></p> <p>A29: Not required</p>	
<p>Planning – Application Material</p>	<p>A30. Although it is likely that the service performance information and financial information will come from different systems, a single audit approach recognises the inextricable link between the service performance information and the financial statements of an entity. A31. It is important to engage with the entity as early as possible to understand whether the elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods the entity intends to report are appropriate and meaningful. Forecast Service Performance Information A32. If an entity prepares forecast service performance information, providing feedback on the forecast service performance information provides the best opportunity to engage with the entity on whether the service performance information intended to be reported is appropriate and meaningful. A33. The audit of the end of year service performance reporting, can influence how you assess the forecast service performance reporting for the following year.</p>	<p>A30: Not required</p> <p>Para A31- add as EEM, under 11.5.2</p> <p><i>It is important to engage with the entity as early as possible to understand whether the elements/aspects of service performance, performance measures and/or descriptions and measurement bases or evaluation methods the entity intends to report are appropriate and meaningful.</i></p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b> Partly</p> <p>Para A31: add as EEM in Appropriate and meaningful section as it is essential/important. Added to appropriate and meaningful section as it deals with the same topic.</p> <p>Other Paras: No - Drafting principle: “Not including material in the ISA for LCEs that is lengthy, educational or background in nature”, therefore not suitable for ISA for LCE. Furthermore, the majority of LCEs are unlikely to present forecast SPI.</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE?</b> yes</p> <p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE?</b> yes</p>
<p>Compliance With the Applicable Financial Reporting Framework – Application Material</p>	<p>A34. Principles and requirements for the reporting of service performance information are specified within the applicable financial reporting framework as follows: (a) For tier 1 and tier 2 public benefit entities, PBE FRS 48 Service Performance Reporting (b) For tier 3 public benefit entities: • Reporting Requirements for Tier 3 Not-for-Profit Entities • Reporting Requirements for Tier 3 Public Sector Entities (c) For tier 4 public benefit entities: • Reporting Requirements for Tier 4 Not-for-Profit Entities</p>	<p>EEM at 11.5.1</p> <p><i>Principles and requirements for the reporting of service performance information are specified within the applicable financial reporting framework as follows: (a) For tier 1 and tier 2 public benefit entities, PBE FRS 48 Service Performance Reporting (b) For tier 3 public benefit entities: • Reporting Requirements for Tier 3 Not-for-Profit Entities</i></p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b> Yes – added as eem under 11.5.1 <b>Should / could the AM be revised or modified for the circumstances of an LCE?</b> No <b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE?</b> yes</p>

	<ul style="list-style-type: none"> <li>Reporting Requirements for Tier 4 Public Sector Entities</li> </ul>	<ul style="list-style-type: none"> <li>Reporting Requirements for Tier 3 Public Sector Entities</li> <li>(c) For tier 4 public benefit entities:             <ul style="list-style-type: none"> <li>Reporting Requirements for Tier 4 Not-for-Profit Entities</li> <li>Reporting Requirements for Tier 4 Public Sector Entities.</li> </ul> </li> </ul>	
<p>Compliance With the Applicable Financial Reporting Framework – Application Material</p>	<p>Appropriate and Meaningful (Ref: Para. 25) A35. To determine if the service performance information is appropriate and meaningful the auditor should assess 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.</p> <p>A36. The auditor may consider whether the service performance information inappropriately attributes service performance to the entity.</p> <p>A37. The auditor may consider:</p> <ul style="list-style-type: none"> <li>Whether the service performance information presents a neutral view including all significant aspects, both positive and negative.</li> <li>Whether any service performance information is omitted, where this is an appropriate link to the service performance of the entity.</li> <li>Whether there is potential for management bias in the selection of the performance measure and/or descriptions.</li> <li>If the entity reports targets, how those targets may obscure a proper understanding of the entity's service performance.</li> <li>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.</li> <li>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.</li> <li>External requirements or agreements with external parties that influence the entity's service performance accountability.</li> <li>Whether the service performance information was pre agreed with key stakeholders.</li> <li>Guidelines developed and issued collectively by a group or published in journals or results of benchmarking studies, for example, central agencies may provide guidance or establish requirements for the preparation of service performance information. The auditor may need to evaluate the suitability of these guidelines to the</li> </ul>	<p>Para A35 in EEM under the Appropriate and meaningful section 11.5.2.</p> <p><i>...When evaluating whether the service performance information is appropriate and meaningful, 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.</i></p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b> Partly</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE?</b> Para A35: EEM under the Appropriate and meaningful section – rewritten slightly.</p> <p>A36-A44: No – there are no detailed examples in ISA for LCE, the standard generally does not explain ‘how’ the procedures should be implemented. Therefore this AM is not suitable for ISA for LCE.</p> <p>Some AM is obvious and not essential and so does not need to be spelt out as EEM, such as “Some service performance information that is more relevant for users, may be measured less precisely”.</p> <p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE?</b> yes</p>



	<p>entity's circumstances and how these align to intended users' needs. More detailed service performance reporting may be more appropriate.</p> <ul style="list-style-type: none"> <li>• Whether an overly voluminous service performance report is detracting from the usefulness and relevance of the overall report.</li> <li>• Whether the service performance report is complete.</li> </ul> <p>A38. 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.</p> <p>A39. The auditor may consider whether:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• There is other potentially more relevant service performance information that could have been used and reasons why those were not included.</li> <li>• The entity has a clear understanding of its contribution toward longer term elements/aspects of service performance.</li> <li>• 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.</li> <li>• The service performance information reflects how the entity assesses its service performance for the purpose of internal decision making.</li> </ul> <p>A40. The potential for management bias directly correlates with the amount of work that the auditor may need to perform to obtain sufficient appropriate audit evidence that the service performance information is appropriate and meaningful. For example, the auditor 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.</p>		
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	<p>A41. Some service performance information that is more relevant for users, may be measured less precisely. The auditor may perform different audit procedures than for those where the service performance can be more precisely measured.</p> <p>A42. The auditor's evaluation of the service performance information may be an iterative process.</p> <p>Forecast Service Performance Information</p> <p>A43. For entities that prepare forecast service performance information for a reporting period, the auditor is encouraged to evaluate whether it is appropriate and meaningful when it is developed.</p> <p>A44. The considerations in paragraph 25(b), (c), (d) and (e) are most relevant in the auditor's evaluation of whether the forecast service performance information is appropriate and meaningful.</p>		
<p>Materiality – Application Material</p>	<p>A45. There can be significant variation in the service performance information selected and presented by entities. The auditor'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.</p> <p>A46. Understanding what elements/aspects of service performance are significant to users may assist the auditor in focusing their audit efforts and applying professional judgement when considering any misstatements identified.</p> <p>A47. The auditor's materiality considerations and determination of materiality is a matter of professional judgement. The evaluation required by paragraph 25, particularly the factors regarding relevance considered by the auditor in paragraphs A35 to A44, may assist the auditor to determine materiality considerations and/or materiality.</p> <p>A48. 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 provides a frame of reference to the auditor in determining what is material. The auditor'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.</p> <p>A49. 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 auditor 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</p>	<p>A45: EEM at 11.6.1  <i>The auditor'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 users of the service performance information.</i></p> <p>A46: EEM at 11.6.1  <i>Understanding what elements/aspects of service performance are significant to users may assist the auditor in focusing their audit efforts and applying professional judgement when considering any misstatements identified.</i></p> <p>A47: EEM at 11.6.1  <i>The auditor's materiality considerations and determination of materiality is a matter of professional judgement. The evaluation required by paragraph 11.5.2. may assist the auditor to determine materiality considerations and/or materiality.</i></p> <p>A49: EEM at 11.6.1.  <i>The benchmark for materiality will likely differ from the financial statements. Materiality may be expressed in terms of the appropriate unit of account for each significant element/aspect of service performance or performance</i></p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b> Partly</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE?</b> Yes</p> <p>Para A45- Used part of para A45 as EEM at 11.6.1</p> <p>Para A46- include in EEM, essential for understanding a concept.</p> <p>Para A47 – first part is in EEM, essential for understanding a concept. Second part of this para is only relevant to Nzas1r, therefore not included in EEM.</p> <p>Para A48- this is educational and background in nature, therefore not suitable for ISA for LCE. Reference to the applicable financial reporting framework for materiality is not covered in Part 5 of the ISA for LCE, therefore it is inappropriate to just cover it here.</p> <p>Para A49 – include in EEM, essential for understanding the concept of materiality, particularly as this is a difficult area to understand and apply. Changed “basis” to benchmark - which is used in EEM under 5.3.1.</p> <p>Para A50 – A52 – include in EEM, essential for understanding a concept</p> <p>Para A53 - No – there are no detailed examples in ISA for LCE, therefore this AM is not suitable for ISA for LCE.</p> <p>Note there is other EEM at 11.6 which has been amended from Part 5.</p>

	<p>service performance measures and/or descriptions together and make materiality decisions on the same basis if they have the same unit of account.</p> <p>A50. The materiality considerations determine the auditor'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 auditor may need to exercise professional judgement beyond the traditional approach of applying a % to a chosen benchmark. In some instances, there may be no tolerance for error in some performance measures and/or descriptions.</p> <p>A51. If the auditor's assessment required by paragraph 29(a) is that the significant elements/aspects of service performance and related material performance measures and/or descriptions is not appropriate and meaningful, it is a matter of professional judgement as to whether that gives rise to a material misstatement.</p> <p>A52. The auditor may firstly consider which elements/aspects of service performance are important to intended users. Having identified those, the auditor 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 auditor to material service performance measures and/or descriptions.</p> <p>A53. The following factors may assist the auditor in applying materiality:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• How the information is presented. For example, does the presentation draw attention to particular information? The auditor may be less tolerant of misstatement in information that is given the most prominence.</li> <li>• 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 auditor may be less accepting of misleading or inaccurate information.</li> <li>• 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</li> </ul>	<p><i>measure and/or description reported. The auditor is unlikely to be able to set an overall materiality because there is unlikely to be a common unit of account.</i></p> <p>A50: EEM at 11.6.1. <i>The materiality considerations determine the auditor's tolerance for misstatement in relation to material performance measures and/or descriptions. Material misstatements may occur in both qualitative and quantitative service performance information. The auditor may need to exercise professional judgement beyond the traditional approach of applying a % to a chosen benchmark. In some instances, there may be no tolerance for error in some performance measures and/or descriptions.</i></p> <p>A51: EEM at 11.6.2. <i>If the auditor's assessment required by paragraph 11.6.2.(a) is that the significant elements/aspects of service performance and related material performance measures and/or descriptions are not appropriate and meaningful, it is a matter of professional judgement as to whether that gives rise to a material misstatement.</i></p> <p>A52: EEM at 11.6.2. <i>The auditor may firstly consider which elements/aspects of service performance are important to intended users. Having identified those, the auditor 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 auditor to material service performance measures and/or descriptions.</i></p>	<p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>
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	<p>in it, particularly high levels of public sensitivity, or relate to an activity that could be a significant risk to the public.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• The relative volatility of reported service performance information. For example, if service performance information varies significantly from period to period.</li> <li>• The number of persons or entities affected.</li> <li>• Where there is information about achieving a target or threshold, and the relationship of the actual performance to the target. For example, the auditor may be particularly diligent where a target has only just been achieved.</li> <li>• Whether a misstatement is material having regard to the auditor's understanding of known previous communications to users.</li> </ul>		
<p><b>Materiality – Application Material cont'</b></p>	<p>Misstatements</p> <p>A54. A misstatement may arise when:</p> <ul style="list-style-type: none"> <li>• An element/aspect of service performance or performance measure or description, or a measurement basis or evaluation method selected is assessed by the auditor as not being appropriate and meaningful;</li> <li>• An element/aspect of service performance or performance measure and/or description is omitted that is assessed by the auditor as being appropriate and meaningful;</li> <li>• The information is not prepared in accordance with the entity's measurement basis or evaluation method;</li> <li>• The entity's service performance information is not in accordance with the applicable financial reporting framework.</li> </ul> <p>A55. An individual misstatement, impacting a single element/aspect of service performance, performance measure and/or description, may be material.</p> <p>A56. 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 auditor needs to consider whether the service performance information as a whole is materially misstated.</p> <p>A57. It is unlikely that the auditor will be able to aggregate misstatements numerically. However,</p>	<p>A54: Not required</p> <p>A55-A57: EEM at 11.6.2.</p> <p><i>An individual misstatement, impacting a single significant element/aspect of service performance, performance measure and/or description, may be material.</i></p> <p><i>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 auditor needs to consider whether the service performance information as a whole is materially misstated.</i></p> <p><i>It is unlikely that the auditor will be able to aggregate misstatements numerically. However, this does not remove the need for the auditor to form a conclusion as to whether uncorrected misstatements are material individually or collectively</i></p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE? Partly</b></p> <p><b>A55-A57</b> – Yes, included as EEM under 11.6.2</p> <p><b>A54 + A58-A59 -</b> No – there are no detailed examples in ISA for LCE, the standard generally does not explain 'how' the procedures should be implemented. Therefore this AM is not suitable for ISA for LCE.</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE? Yes</b></p> <p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>

	<p>this does not remove the need for the auditor to form a conclusion as to whether uncorrected misstatements are material individually or collectively, as required by paragraph 31.</p> <p>A58. The auditor exercises professional judgement to conclude on the impact of any material misstatement on the opinion. The auditor 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.</p> <p>A59. Examples of factors that may lead to a material misstatement, include:</p> <ul style="list-style-type: none"> <li>• Misuse of language – that creates a misleading picture of the entity’s performance.</li> <li>• Misleading presentation – which highlights or downplays aspects of performance, to create a misleading picture of the entity’s service performance.</li> <li>• Bias – an emphasis is placed on good performance and downplays or omits poor performance i.e., isn’t neutral.</li> <li>• Omission of fact – something is left out that may be important to understanding the entity’s service performance or is important to intended users.</li> <li>• Incorrect measurement or evaluation – the service performance measure isn’t prepared in accordance with the measurement basis or evaluation method selected by the entity.</li> <li>• Where quantifiable service performance information misstates the level of actual performance beyond a determined level (the traditional application of materiality).</li> <li>• Misstatement of fact.</li> <li>• Misrepresentation of trend – performance presented does not represent the facts available.</li> <li>• Unsubstantiated claims.</li> </ul>		
<p>Identifying and Assessing Risks of Material Misstatement – Application Material</p>	<p>A60. Assertions used by the auditor in considering the different types of potential misstatements of service performance information that may occur may fall into the following categories:</p> <p>(a) Occurrence – service performance that has been reported has occurred.</p> <p>(b) Attributable to the entity – the service performance reported by the entity includes only service performance that the entity has evidence to support its involvement with either directly or in conjunction with other entities with common goals.</p> <p>(c) Completeness – all important service performance that should have been reported has been included in the service performance information.</p> <p>(d) Accuracy – service performance has been reported, measured and described appropriately and is not inconsistent with the financial statement information.</p>	<p><b>Refer appendix 5</b>  <i>[NZ] Assertions about Service Performance Information (when applying Part 11)</i>          Assertions used by the auditor in considering the different types of potential misstatements of service performance information that may occur may fall into the following categories:</p> <ul style="list-style-type: none"> <li>• Occurrence—service performance that has been reported has occurred.</li> <li>• Attributable to the entity—the service performance reported by the entity includes only service performance that the entity has</li> </ul>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE? Yes</b></p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE? Yes – add list of assertions to Appendix 5.</b></p> <p>A60: Added to Appendix 5          A61: Added under Appendix 5 to provide context.</p> <p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>

	<p>(e) Cut-off – service performance has been reported in the correct period.</p> <p>(f) Presentation – service performance is appropriately aggregated or disaggregated, clearly displayed and not misleading, and related disclosures are relevant and understandable.</p> <p>A61. The auditor may use the assertions as described in paragraph A60 or may express them differently provided all aspects described above have been covered. For example, the auditor may choose to combine the assertions about occurrence and attribution or based on the nature of the service performance information reported consider existence may be more appropriate than occurrence.</p>	<p>evidence to support its involvement with either directly or in conjunction with other entities with common goals.</p> <ul style="list-style-type: none"> <li>• Completeness—all important service performance that should have been reported has been included in the service performance information.</li> <li>• Accuracy—service performance has been reported, measured and described appropriately and is not inconsistent with the financial statement information.</li> <li>• Cut-off—service performance has been reported in the correct period.</li> <li>• Presentation—service performance is appropriately aggregated or disaggregated, clearly displayed and not misleading, and related disclosures are relevant and understandable.</li> </ul> <p>The auditor may use the assertions as described above or may express them differently provided all aspects described above have been covered. For example, the auditor may choose to combine the assertions about occurrence and attribution or based on the nature of the service performance information reported consider existence may be more appropriate than occurrence.</p>	
	<p>A62. When assessing the likelihood and magnitude for identified risks of material misstatement the auditor exercises professional judgement in considering the degree to which inherent risk factors of the service performance information affect the susceptibility of an assertion to misstatement. Considering the degree to which inherent risk factors affect the susceptibility of an assertion to misstatement, assists the auditor in appropriately assessing inherent risk for risks of material misstatement at the assertion level and in</p>	<p>A62: EEM below 11.7.1</p> <p><i>Assertion Level Risks</i>  <i>In identifying and assessing the risks of material misstatement, the auditor uses assertions to consider the different types of potential misstatements that may occur.</i>  <i>Appendix 5 sets out assertions that may be</i></p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b></p> <p>A62 – Partly. Include some EEM from 6.4.1 as this is more concise.</p> <p>A63 - yes, although it is an example, we consider that it is important to illustrate the types of significant risks that may apply in the audit of SPI.</p>

	<p>designing a more precise response to such a risk. Due to the variation in how an entity can aggregate, measure and present its service performance information, this assessment needs to be done at a meaningful level to reflect the inherent risk of the particular measure.</p> <p>A63. Risks of material misstatement that may be assessed as having higher inherent risk and may therefore be determined to be a significant risk, may arise from matters such as the following:</p> <ul style="list-style-type: none"> <li>• Performance measures that use a measurement basis or evaluation method that may be subject to differing interpretations.</li> <li>• Performance measures that involve complexity in data collection and processing.</li> <li>• Performance measures that use a measurement basis or evaluation method that involves complex calculations.</li> <li>• Changes in the entity's business that involve changes in service performance.</li> </ul>	<p><i>used by the auditor in considering different types of misstatements at the assertion level.</i></p> <p><b>Assessing Inherent Risk</b>  <i>Due to the variation in aggregation, measurement, and presentation of service performance information, the risk assessment is conducted at a meaningful level to reflect the inherent risk of the particular measure.</i></p> <p>A63: EEM below 11.7.2  <i>Risks of material misstatement that may be assessed as having higher inherent risk and may therefore be determined to be a significant risk, may arise from matters such as the following:</i></p> <ul style="list-style-type: none"> <li>• <i>Performance measures that use a measurement basis or evaluation method that may be subject to differing interpretations.</i></li> <li>• <i>Performance measures that involve complexity in data collection and processing.</i></li> <li>• <i>Performance measures that use a measurement basis or evaluation method that involves complex calculations.</i></li> <li>• <i>Changes in the entity's business that involve changes in service performance.</i></li> </ul>	<p><b>Should / could the AM be revised or modified for the circumstances of an LCE? Y</b>          Added some of EEM from 6.4.1 here.</p> <p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>
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<p>Audit evidence – Application Material</p>	<p>A64. Determining whether service performance information selected is appropriate and meaningful involves a considerable amount of judgement. There may be documentation that provides audit evidence to support the judgements made by the entity in selecting the service performance information to report, for example, those referred to in paragraph A17.</p> <p>A65. The mix of procedures to be performed may vary compared with the mix used for financial information but does not alter the need to obtain sufficient appropriate audit evidence.</p> <p>A66. 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 audit evidence. The auditor may find it more challenging and need to think differently to obtain relevant and reliable audit evidence where information systems, source records or internal controls are different to those used in traditional financial reporting.</p> <p>A67. The auditor 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.</p> <p>A68. The auditor's procedures may include:</p> <ul style="list-style-type: none"> <li>• Agreeing or reconciling amounts reported in the service performance information to any underlying financial and non-financial records.</li> <li>• Agreeing cross references between the service performance information and the financial statements.</li> </ul>	<p>A67-A68: EEM at 11.9.2</p> <p><i>The auditor 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.</i></p> <p><i>The auditor may:</i></p> <ul style="list-style-type: none"> <li>• <i>Agree or reconcile amounts reported in the service performance information to any underlying financial and non-financial records.</i></li> <li>• <i>Agree cross references between the service performance information and the financial statements.</i></li> </ul>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b> Partly</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE?</b></p> <p>A64-A66,A69 – No – this is educational and background in nature, therefore not suitable for ISA for LCE.</p> <p>A67-A68: yes provides context to 11.9.2 (have not included the example however).</p> <p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE?</b> yes</p>
	<p>A69. The auditor may use the work of an individual or organisation possessing expertise in a field other than accounting or auditing, 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</p>	<p><i>The requirements for when the auditor uses the work of a management's expert are set out in paragraphs 5.2.9. and 7.4.29.</i></p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b> No – Rather than replicate requirements and AM from NZAS1R, we refer the auditor back to the appropriate requirements in the ISA for LCE. EEM at 11.3.5.</p>



	questionnaire or satisfaction survey, or preparing a water quality report.		<p><b>Should / could the AM be revised or modified for the circumstances of an LCE? No</b>  <b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>
<p>Communicating with Those Charged with Governance – Application Material</p>	<p>A70. The auditor is encouraged to communicate with those charged with governance early or as soon as practicable.  A71. The auditor’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 auditor 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.  A72. Significant difficulties encountered during the audit may include such matters as:  (i) Extensive unexpected effort required to obtain sufficient appropriate audit evidence.  (ii) The unavailability of expected information.  A73. Significant matters discussed, or subject to correspondence with management may include 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.</p>	<p>Not required</p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b>  No –</p> <p>A71-A73 The requirements for specific communication requirements at 11.20.1 are sufficient and do not require further EEM.</p> <p>A70 is covered as a requirement at 11.3.4, to discuss concerns as soon as practicable. Also, the EEM under 11.5.2 says “It is important to engage with the entity as early as possible”.</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE?</b>  No  <b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>
<p>Special Considerations: An Entity Using a Service Organisation, Groups and Using the Work of Another Practitioner –</p>	<p>A74. It may be appropriate for an entity to report service performance information about elements/aspects of service performance provided by other entities. ISA (NZ) 402 may be relevant to the audit of service performance information, if the user entity makes use of a service organisation for the preparation of service performance information.  A75. ISA (NZ) 600 (Revised) may be relevant, adapted as necessary to the circumstances, when the auditor involves other auditors in the audit of the service performance information where the service performance information includes information about the elements/aspects of service performance provided by other entities.</p>	<p><i>Using the Services of a Service Organisation</i></p> <p><i>To obtain sufficient appropriate audit evidence, the following procedures may be considered by the auditor:</i></p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b></p> <p>Partly</p> <p>A74: Included service organisation EEM, based on para 7.4.28, so it fits within the ISA for LCE.  A75: Group audits are covered by para. 11.19.3, EEM not required.  A76: This is related to a requirement that is not relevant to an audit of an LCE.</p>



<p>Application Material</p>	<p>A76. Alternatively, the service performance information may include information upon which another practitioner may have expressed an opinion. The auditor may decide to use the evidence on which the other practitioner's opinion is based to provide evidence regarding the service performance information. The work of another practitioner may be used in relation to service performance information that falls outside the boundary of the reporting entity. Such practitioners are not part of the engagement team. Relevant considerations when the engagement team plans to use the work of another auditor may include:                  (a) A communication that the auditor understands and complies with the requirements of Professional and Ethical Standard 1.                  (b) The other practitioner's professional competence.                  (c) The extent of the engagement team's involvement in the work of the other practitioner.                  ISA (NZ) 620 may also provide useful guidance with respect to using the work performed by another assurance practitioner.</p>	<ul style="list-style-type: none"> <li>• <i>Inspect records and documents held by the user entity;</i></li> <li>• <i>Inspect records and documents held by the service organisation;</i></li> <li>• <i>Obtain confirmations of service performance information from the service organisation in instances where the user entity maintains its own independent records of service performance information.</i></li> </ul>	<p><b>Should / could the AM be revised or modified for the circumstances of an LCE? No</b>  <b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>
<p>Using the Work of an Auditor's Expert – Application material</p>	<p>A77. Expertise in a field other than accounting or auditing may be necessary as a result of information included in the service performance information. Examples may include expertise in relation to such matters as:                  (a) The measurement of complex performance measures;                  (b) Assertions made about the entity's performance, for example, when reporting on the impact that the entity had;                  (c) Conformity assessments, ecolabelling and certification programmes.</p>	<p><i>Part 5.2.10 and Part 7.4.30 set out the auditor's responsibilities when using the work of an auditor's expert.</i></p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE? No</b></p> <p>Similar to using the work of a management's expert AM, Rather than replicate requirements and EEM, we refer the auditor back to the appropriate requirements in the ISA for LCE. EEM at 11.3.6.</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE? No</b>  <b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>
<p>Written Representations – Application material</p>	<p>A78. An illustrative representation letter for an audit that includes service performance information is set out in Appendix 3.</p>	<p><i>Appendix 7A sets out an illustrative representation letter including service performance information.</i></p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE? Y-</b> amended to refer to Appendix 7A. Eem at 11.11.1.  <b>Should / could the AM be revised or modified for the circumstances of an LCE? Y</b>  <b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Y</b></p>
<p>Forming an Opinion – Application material</p>	<p>A79. 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.                  A80. The measurement bases or evaluation methods can be made available to the intended users in one or more of the following ways:</p>	<p>Not required</p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE? N</b></p> <p>No – there are no detailed examples in ISA for LCE, the standard generally does not explain 'how' the procedures should be implemented. Therefore this AM is not suitable for ISA for LCE.</p>

	<p>(a) Publicly, for example, readily available documents such as a published external assessment framework on a website.</p> <p>(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.</p> <p>(c) Through inclusion in a clear manner in the description of the performance measure and/or description itself, for example, number of meals delivered.</p> <p>(d) By general understanding, for example, the method of measuring time in hours and minutes. The auditor 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.</p>		<p><b>Should / could the AM be revised or modified for the circumstances of an LCE? N</b>  <b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Y</b></p>
<p><b>Report Content – Application material</b></p>	<p>A81. The auditor's report includes references to the service performance information. An illustrative auditor's report that includes references to the service performance information is set out in Appendix 4.</p> <p>A82. This NZ AS requires the auditor's report to include at least all elements required by ISA (NZ) 700 (Revised).</p> <p>A83. The auditor's report refers to the method used to measure or evaluate the service performance so the intended users can understand the basis for the auditor's opinion.</p> <p>A84. An example of how the wording may look in an auditor's report:          In our opinion, the accompanying [financial report/ performance report] presents fairly, in all material respects:</p> <ul style="list-style-type: none"> <li>• [the entity information as at December 31, 20X3;]</li> <li>• the financial position of the [entity] as at December 31, 20X3, and its financial performance, and its cashflows for the year then ended; and</li> <li>• 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.: PBE Standards)] issued by the New Zealand Accounting Standards Board.</li> </ul>	<p>Not required</p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE? N</b>  <b>Should / could the AM be revised or modified for the circumstances of an LCE? N</b>          A81-A84 No – this paragraph is specific to ISA (NZ), not applicable to ISA for LCE.          The ISA for LCE uses a specified form and content, rather than listing elements required.</p>
<p><b>Key Audit Matters – Application material</b></p>	<p>A85. The order of presentation of individual matters within the Key Audit Matters is a matter of professional judgement. Key audit matters relating to service performance may be the most important key matter to intended users.</p>	<p>Not required</p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE? No</b>  <b>Should / could the AM be revised or modified for the circumstances of an LCE? No</b> – key audit matters are not applicable in an ISA for LCE audit.</p>

<p>Modifications to the Opinion in the Independent Auditor's Report – Application Material</p>	<p>A86. A misstatement of the service performance information may arise in relation to:                  (a) The application of the measurement basis or evaluation method;                  (b) Inadequate disclosure of judgements made, where applicable; or                  (c) Incomplete disclosures that do not include all disclosures required by the applicable financial reporting framework or do not achieve fair presentation of the service performance information.                  A87. In many instances, a modification with respect to the service performance information will have no impact on the opinion on the financial statements. Appendix 5 includes illustrative auditor's reports with modifications to the opinion with respect to the service performance information.</p>	<p>A85: EEM at 11.10.1  <i>A misstatement of the service performance information may arise in relation to:</i></p> <ul style="list-style-type: none"> <li><i>The application of the measurement basis or evaluation method;</i></li> <li><i>Inadequate disclosure of judgements made, where applicable; or</i></li> <li><i>Incomplete disclosures that do not include all disclosures required by the applicable financial reporting framework or do not achieve fair presentation of the service performance information</i></li> </ul> <p>A87: EEM at para 11.15  <i>The opinion on the financial statements, in many instances, will not be impacted by a modification with respect to the service performance information.</i></p>	<p><b>Is the requirement relevant and appropriate in the circumstances of an audit of an LCE?</b> Partly</p> <p><b>Should / could the AM be revised or modified for the circumstances of an LCE?</b>                  A86- add as EEM, as this is an area that requires further guidance.                  A87 – add first sentence as EEM in the modifications section. As it provides essential context for modifications.</p> <p>The illustrative auditors reports with modifications will be issued later as supplemental guidance.  <b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE?</b> Yes</p>
<p>Emphasis of Matter Paragraphs and Other Matter Paragraphs – Application material</p>	<p>A88. An Emphasis of Matter or Other Matter paragraph may describe for example:                  • The underlying facts and information about the entity's process to select what service performance to report on (e.g., the maturity of the entity's process compared to others in the industry).                  • The source and method used to measure or evaluate the service performance information and whether they are externally established (e.g., established in legislation or externally established performance frameworks).                  • Any significant interpretations made in selecting the entity's service performance information or applying the method(s) to measure or evaluate.                  • Whether there have been any changes in the service performance information disclosed or measurement bases or evaluation methods used.                  • Any other matters the auditor considers necessary to assist intended users in making decisions based on the service performance information.                  • Information the auditor considers would enhance transparency and assist the user to</p>	<p><b>11.16. Other Paragraphs in the Auditor's Report</b>  <i>Part 9.6 sets out when Emphasis of Matter paragraphs and Other Matter paragraphs in the auditor's report are used.</i>  <i>In the context of an audit of service performance information, an Emphasis of Matter paragraph or an Other Matter paragraph may describe for example:</i></p> <ul style="list-style-type: none"> <li><i>The underlying facts and information about the entity's process to select what service performance to report on (e.g.,</i></li> </ul>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE?</b> Yes  <b>Should / could the AM be revised or modified for the circumstances of an LCE?</b></p> <p>A88: Added as EEM in the introduction to the other matter/emphasis of matter section. This is similar to how EEM is presented at 9.6.1</p> <p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE?</b> Yes</p>

	<p>understand the level of maturity that the entity has achieved in its reporting.</p>	<p><i>the maturity of the entity's process compared to others in the industry).</i></p> <ul style="list-style-type: none"> <li>• <i>The source and method used to measure or evaluate the service performance information and whether they are externally established (e.g., established in legislation or externally established performance frameworks).</i></li> <li>• <i>Any significant interpretations made in selecting the entity's service performance information or applying the method(s) to measure or evaluate.</i></li> <li>• <i>Whether there have been any changes in the service performance information disclosed or measurement bases or evaluation methods used.</i></li> <li>• <i>Any other matters the auditor considers necessary to assist intended users in making decisions based on the service performance information.</i></li> <li>• <i>Information the auditor considers would enhance transparency and assist the user to understand the level of maturity that the entity has achieved in its reporting.</i></li> </ul>	
<p>Other Information – Application material</p>	<p>A89. Other information, whether financial or non-financial information (other than the financial statements information and service performance information) may be included in an annual report. The auditor's opinion does not cover the other information. The auditor's responsibilities regarding other information, is determined by ISA (NZ) 720 (Revised) and by this NZ AS.</p>	<p>A89-A90: EEM under 11.18  <i>“Other information” is financial or non-financial information (other than the financial statements, service performance information</i></p>	<p><b>Is the AM relevant and appropriate in the circumstances of an audit of an LCE? Y</b>          Include as EEM under 11.18. Have also used some content from the EEM at 9.8 to write this EEM.          Excluded reference to ISA (NZ) 720.</p>

	<p>A90. In the context of service performance information, the distinction between the audited service performance information and the “other information” is not as pronounced as it is for financial information. As a consequence, quite subtle changes in the way that information is presented in the “other information” (such as wording used to describe performance) can easily provide a misleading impression of the entity’s actual performance when compared to the audited service performance information.</p>	<p><i>and the auditor’s report thereon) included in an entity’s annual report.</i></p> <p><i>In the context of service performance information, the distinction between the audited service performance information and the “other information” is not as pronounced as it is for financial information. As a consequence, quite subtle changes in the way that information is presented in the “other information” (such as wording used to describe performance) can easily provide a misleading impression of the entity’s actual performance when compared to the audited service performance information.</i></p>	<p><b>Should / could the AM be revised or modified for the circumstances of an LCE? Yes</b></p> <p><b>Do the changes result in EEM that aligns with drafting principles and ISA for LCE? Yes</b></p>
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## Further background material

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### International update

1. Jurisdictions around the world continue to investigate whether or not to adopt the ISA for LCE.
2. From [December 2023](#), the “International Federation of Accountants (IFAC), which comprises 180 member organizations and represents millions of professional accountants globally, congratulates the International Auditing and Assurance Standards Board (IAASB) on its new standalone standard for audits of less complex entities... Now that the ISA for LCE has been issued, IFAC encourages its member organizations to adopt or advocate for adoption of the ISA for LCE in their jurisdictions or promote voluntary use of the standard.”
3. The IFEA Stakeholder Advisory Council (SAC) Meeting, held on 30 April 2024, highlighted countries that might not adopt the standard due to high statutory audit thresholds, or a significant market for review engagements, or the existence of their own standard. Belgium, who currently has their own standard
4. Some of the countries that have not adopted the standard:



[Australia](#) has elected not adopted the standard, a summary of the reasons why not:

- User expectations gap – due to:
  - perceptions of lesser audit quality or scaled down audit product given that use of the standard needs to be explicitly stated in the audit report,
  - possible expectation of reduced work effort,
  - perceptions of audits using ISA for LCE not meeting regulatory requirements,
  - time lag in updating the standard.
- Potential creation of a two-tier profession into ISA audits and LCE audits.
- Increased need for education to mitigate the risk of an expectation gap and market place confusion
- Limited essential explanatory material in the LCE potentially impacting audit quality.



In the UK, the FRC’s submission to the exposure draft concluded that there are insufficient grounds for adoption in the UK. The UK currently has small company exemptions to address the burden on small and less complex entities, with these covering a large proportion of the entities which would fall into the scope of the ISA for LCE.



[Canada](#) has not adopted it based on the limitations on the use of service organisations (in that auditors cannot rely on a type 1<sup>1</sup> or type 2<sup>2</sup> report over controls when using ISA for LCE), the limited use of component auditors, and concerns over two sets of auditing standards.

5. In response to the above, we've considered the following;
- a. As discussed in the previous NZAuASB meeting, communications will be the key to this. Our communications plan continues to evolve to ensure the right message will be circulated in a way that responds to the perception issues and ensures that stakeholders understand that *"The ISA for LCE does not reduce the quality of the audit or necessarily mean less work. It is a different type of audit, not a lesser audit. It helps auditors focus on aspects of the audit that are relevant for less complex entities. It is about doing the right work, including amount of work, in the right areas, and having proportionate requirements to drive that work. Requirements that are based on the underlying concepts from the ISAs and that are proportionate to the typical nature and circumstances of a less complex entity support the consistent performance of quality audit engagements in this market segment."* – IAASB.
  - b. No regulator in NZ has as yet indicated any concern to us on this standard, particularly since it is focused on less complex entities and not public interest entities. So far during this project, we have contacted FMA, NZX, CAANZ, CPA Australia, DIA Charities Services, OAG, Ministry of Education, Companies Office.
  - c. New Zealand already has a four-tier profession in NZ: 1. Audits of Public Interest Entities (PIE), typically performed by licensed auditors. 2. Audits of public sector entities under the Public Audit Act 2001, performed by, or on behalf of, the Auditor-General. 3. Audits of non-PIEs (so all other entities) undertaken by qualified or licensed auditors. 4. Audits undertaken by auditors who are not registered qualified auditors or licensed auditors of non-statutory audits. Those likely to specialise in ISA for LCE audits would already be operating in that market regardless of what auditing standard applies. The ISA for LCE would be a tailored for them to undertake audits of LCEs efficiently and effectively within their market.
  - d. The XRB and IAASB will provide guidance and publications to support auditors on implementation. Auditors will need to continue with education of their clients, as they do when a new standard and requirements are introduced.
  - e. The ISA for LCE has the benefit of reducing checklist audits, and auditors being required to consider requirements/guidance that is not applicable to their audit. A number of firms now use Audit Assistant (a NZ audit software provider) or CaseWare – enabling some consistency in application of auditing standards. All CA's and CPAs are required to go through a practice review where their files are reviewed by CPA or CAANZ, we would expect any issues

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<sup>1</sup> Type 1 report: Report on the description and design of controls at a service organisation (see [ISA \(NZ\) 402](#) for a full definition)

<sup>2</sup> Type 2 report: Report on the description, design, and operating effectiveness of controls at a service organisation (see [ISA \(NZ\) 402](#) for a full definition)

highlighted to us through this process or from general feedback or through the implementation review process.

- f. It should be noted that Canada has a stronger focus on review engagements (companies with a [certain amount](#) of gross annual revenue are subject to a review engagement) and [compilation engagements](#) (where a company does not obtain an audit or review). In NZ, only [charities](#) with total expenses between \$550K-\$1.1million can be subject to a statutory review. The XRB does not issue compilation standards in NZ. Compilation standards are issued by CAANZ/CPA Australia and are only applicable to their members.
  - g. In relation to Canada’s concern around not being able to use component auditors. In our 2022 submission on the ISA for LCE to the IAASB, the NZAuASB noted support for allowing the use of the ISA for LCE in group audits in cases where there are zero or immaterial involvement of component auditors. The size and scale of less complex entities operating in NZ does not raise concerns for us. Furthermore, we received no feedback from constituents around component auditors in the exposure draft period Part 10 *Audits of group financial statements*.
  - h. We did not provide any feedback to the IAASB in our submission over the limitations on the use of service organisations and our technical reference group did not raise any issues over this matter in discussions around Part 10 *Audits of group financial statements*. We do not see an issue with the exclusion of audits using type one or type two reports as audit evidence from the ISA for LCE, as auditors would either rely on other procedures or not use ISA for LCE.
  - i. New Zealand’s economy is a good fit for the ISA for LCE due to the large number of entities that would fit the characteristics of a less complex entity. We have a culture that recognises the benefit of an audit, seen especially through the low threshold for charity audits, and the Ministry of Education’s requirement for audits of early childhood educators (ECE’s).
6. From the April 2024 SAC meeting and our research, we note that these regions are looking at adoption of the standard:



Asia – including Hong Kong, Singapore, Cambodia.



Africa (including South Africa) + Middle east region.

Europe – in particular the Nordic countries of Sweden, Finland, Norway. Iceland.

On the 6 May 2024, Finland announced it was the first country in Europe to adopt the ISA for LCE standard.





South America – including Brazil.

7. Here is a summary from a recent webinar held by IFAC [“Roadmaps to using the IAASB’s ISA for LCE in Europe”](#):
- i. The President of the European Federation of Accountants and Auditors for SMEs said that this is one of the most important standards issued by the IAASB, and its success will be measured by its use.
  - ii. A presenter from the World Bank said:
    - The new standard is a timely response to the increasing need for reasonable assurance and audit reports for SMEs. One of the immediate benefits of this new standard for auditors is the focus on the relevant audit work that needs to be done to provide reasonable assurance, eliminating the possible distraction of too many ISA checklists and requirements.
    - The ISA for LCE will create a more efficient and effective audit process allowing for auditors to provide high quality service and could encourage a new generation to join the audit profession.
  - iii. IAASB presenters emphasised:
    - This standard is not a lesser standard or audit-lite or a simplified audit. It is made to be what is proportionate and needed for an audit of these types of entities.
    - The standard will help auditors deliver consistent and effective high quality audits for less complex entities.
    - The standard is built on the foundation of the ISAs, it will enable auditors to obtain the same level of assurance: reasonable assurance.
    - The ISA for LCE was specifically written for practitioners who audit LCEs. The standard has a risk based approach and is principles based. This enables it to be applied in a wide range of circumstances and across different sectors and industries. The standard is focused on the outcome of the requirement that the standard needs to achieve. And the structure of the standard is intuitive and follows the natural flow of an audit.
    - The requirements are clear, understandable and concise with a focus on avoiding unnecessary words, repetitions or ambiguous language.
  - iv. The Secretary General and CEO, Nordic Federation of Public Accountants said that:
    - Sweden and Finland have low audit thresholds. Those countries, along with Norway support the standard and will encourage early adoption. Denmark has a higher threshold for audit, and with regulations more focused on a review at lower levels, so, as of now, there is not an urge to focus on this standard.

- Similar to what the NZAuASB discussed at the previous meeting, how we communicate and the use the language is important in our engagement. We don't describe it as a simplified standard, but as a tailored standard – in that the standard is designed with a specific audit segment in mind. Describing it as a simplified standard may create misunderstandings, around lower audit fees, lower quality, and less work.
  - The ISA for LCE explains the audit process in a way that is easy to understand. The understandability should not be underestimated - if the practitioner knows what to do, they are more confident in knowing what they need to do, it will drive more consistency and high audit quality.
  - The ISA for LCE will drive consistent application and more confidence in the auditor knowing what to do and higher audit quality.
  - Just because we don't have the answers to everything, it should prevent us from starting the journey of adoption because the benefits outweighs the weaknesses. Issues and challenges will be solved eventually with time.
  - The standard will have the most benefit or impact for the auditors themselves.
- v. The Deputy Secretary General, Institute of Registered Auditors (IBR-IRE) in Belgium presented that since 2019 they have a standard specific for non-statutory audits of SMEs. They are now undertaking a comparison as to whether ISA for LCE would mean for Belgium.
8. IFAC has also issued a [5 minute summary video](#) with key speaker recommendations from the above webinar.
9. An academic research paper<sup>3</sup> has been published that analyses the comment letters that the IAASB received for ISA for LCE. The aim of the paper was to examine the views that supported and opposed the ISA for LCE. There are no new issues raised in this paper that we are not aware of or are concerned about.
10. Each country has their own cultural considerations and legal framework that determines whether the ISA for LCE would be of use in their countries. Whilst there are some countries not proceeding with the standard, there are others that are. We continue to monitor what is happening and take into account reasons for and against.

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<sup>3</sup> Haapamäki, E.E. and Mäki, J. (2024), "An analysis of comment letters on a new, stand-alone standard for audits of less complex entities' financial statements", Journal of Accounting Literature, Vol. 46 No. 1, pp. 51-81. <https://doi.org/10.1108/JAL-12-2022-0131>