

Wednesday, 17 July 2024

Marje Russ  
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Via email: [assurance@xrb.govt.nz](mailto:assurance@xrb.govt.nz)

Dear Marje

### **Consultation Document – Exposure Draft: NZ SRE 1 Review of Service Performance Information**

Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia represent over 300,000 professional accountants who work in diverse roles across public practice, commerce, industry, government and academia throughout New Zealand, Australia and internationally. We welcome the opportunity to provide feedback on the above consultation and make this submission on behalf of our members and in the public interest.

We commend the XRB for developing a standard to assist assurance practitioners in performing review engagements of Service Performance Information (SPI). In our view, a dedicated standard for this type of review engagement will assist assurance practitioners in understanding the scope of a review of SPI and promote consistency in these engagements.

We observe that EG Au 9 *Guidance on the Audit or Review of the Performance Report of Tier 3 Not-For-Profit Public Benefit Entities* (EG Au 9) has served the market well up until now. However, we agree that it is a good time to develop a review standard now that an auditing standard for SPI has been issued by the XRB that the Office of the Auditor-General (OAG) has noted it will use as the basis for its auditing standard for service performance.

We support the development of a single review standard that is principles-based, framework neutral and developed with assurance practitioners who are not the auditor of the entity – mainly tier 3 charities – in mind. We also support the use of the same “two-step approach” to the review of the SPI as is required by NZ AS 1 (Revised) *The Audit of Service Performance Information* (NZ AS 1) for audits of SPI.

Our detailed responses to the consultation questions are included in the Attachment to this letter. Should you have any questions about the matters raised in this submission, please contact Zowie Pateman (CA ANZ) at [zowie.pateman@charteredaccountantsanz.com](mailto:zowie.pateman@charteredaccountantsanz.com) or Tiffany Tan (CPA) at [tiffany.tan@cpaaustralia.com.au](mailto:tiffany.tan@cpaaustralia.com.au).

Yours sincerely

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# Attachment

## Understanding

**Question 1. Do you agree that the requirements to obtain an understanding are appropriate for a review engagement on service performance information?**

Yes, we believe the requirements to obtain an understanding are appropriate.

## Planning

**Question 2. Do you agree that the requirements for planning are appropriate for a review engagement on service performance information?**

Yes, we believe the requirements for planning are appropriate.

## Assessment of appropriate and meaningful

**Question 3. Do you agree that the requirement to consider “appropriate and meaningful” are appropriate for a review engagement?**

We support the use of “appropriate and meaningful” in the standard as this is consistent with both the reporting requirements in PBE FRS 48 and with the requirements for audits of SPI contained in NZ AS 1.

The consultation document states that NZ SRE 1 is intended to take the same “two-step approach” as NZ AS 1 that is, the assurance practitioner must first consider whether the SPI is appropriate and meaningful and then they must form their conclusion that, based on the work performed, nothing has come to their attention to cause them to believe that the SPI does not fairly reflect the entity’s actual service performance. We agree that a “two-step approach”, consistent with NZ AS 1, is appropriate for a review engagement on SPI.

However, we note that in NZ AS 1, the two-step approach is made clear to the practitioner from the outset as it is set out in the objectives of the standard in paragraph 7. However, in the proposed NZ SRE 1, the objectives set out in paragraph 7 do not include the two-step approach in relation to the SPI. It is mentioned in the introduction in paragraph 2, and then in the assurance practitioner’s responsibilities in paragraph 15(a). We believe that it would be clearer and drive more consistency in the engagements if the need for the assurance practitioner to use the “two-step approach” is set out in the objectives of the review standard as it is in NZ AS 1.

**Question 4. Do you agree that the use of the different verb to “consider” rather than “evaluate” is clear and will promote consistency in practice?**

We agree that the verb “consider” implies a lower work effort than “evaluate”, as articulated in the [IAASB's Complexity, Understandability, Scalability, and Proportionality \(CUSP\) Drafting Principles and Guidelines](#). However, we are concerned that these differences in the work effort spectrum may not be consistently understood in practice.

Therefore, it would be useful if the standard included more guidance on the work effort expected to “consider” whether the SPI is appropriate and meaningful, including clarification that this work effort is expected to be less than that in an audit engagement under NZ AS 1 where the auditor must “evaluate” whether the SPI is appropriate and meaningful.

## Materiality

**Question 5. Do you agree that the requirements for materiality are appropriate for a review engagement on service performance information?**

Yes, we agree that the requirements are appropriate. However, given the nature of SPI and the need for assurance practitioners to apply both qualitative and quantitative materiality in the performance of procedures and the evaluation of misstatements, we encourage the board to consider whether there needs to be more in the application material on materiality, particularly qualitative materiality as this is an area that assurance practitioners find particularly complex.

We understand that when NZ SRE 1 is issued, the expectation is that assurance practitioners will no longer need to refer to ISAE (NZ) 3000 to perform a review engagement on SPI. However, ISAE (NZ) 3000 has more application material on materiality than the proposed NZ SRE 1 that may be useful to assurance practitioners, and we encourage the board to consider whether some of this material should be replicated in NZ SRE 1 or in other guidance material to accompany the standard.

## Risk assessment

**Question 6. Do you agree with the requirements proposed to identify where risks may arise for a review of service performance information? If not, why not?**

Yes, we agree that a risk-based approach is appropriate.

## Response to assessed risk

### **Question 7. Do you agree with the requirements proposed for responding to assessed risks? If not, why not?**

We support the proposed requirements for responding to assessed risks. However, we have heard some feedback from stakeholders that the wording in paragraph 31 may suggest to practitioners that ‘other’ additional procedures, aside from enquiry and analytical procedures, are required in all engagements. As the nature of the procedures performed will be impacted by the SPI prepared by the entity, we recommend the board considers modifying the wording as follows:

“In obtaining sufficient appropriate evidence as the basis for a limited assurance conclusion on the service performance information, the assurance practitioner shall design and perform enquiry and analytical procedures and, **where** the assurance practitioner considers necessary in the circumstances, other procedures.

Similarly, we suggest that the last sentence of paragraph A52 be modified to “For example due to the nature of **some of** the service performance information, analytical procedures may not be relevant and so another substantive procedure may be more appropriate.”

## Reporting

### **Question 8. Do you consider the wording of the conclusion to be clear? If not, why not, and what clarifications do you recommend?**

Yes, we consider the wording of the conclusion to be clear.

## Application date

### **Question 9. Do you agree with the proposed application date of 12 months following issue of the standard?**

Yes, we agree with the proposed application date.

## Other comments

### **Question 10. Do you have any other comments on the proposed standard? If so, please specify.**

No, we have no other comments.