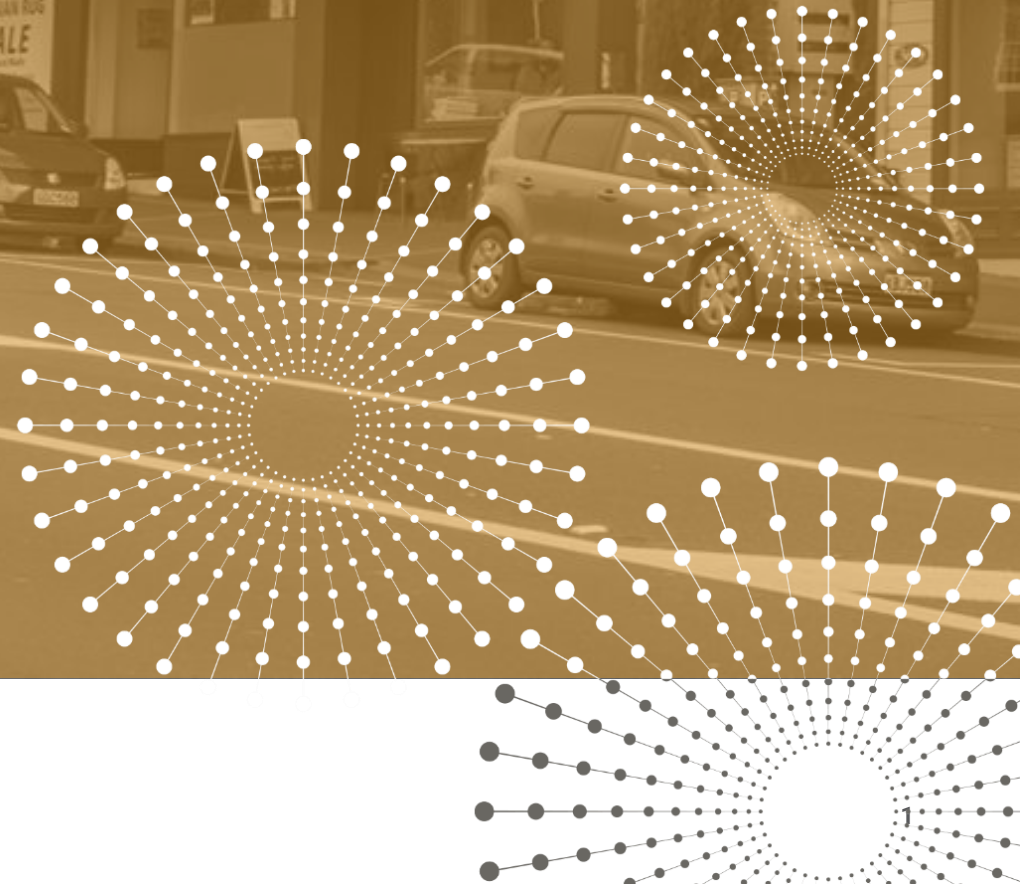


# Feedback Statement Less Complex Entities

Proposed standard for audits of less complex entities (ISA for LCE)



April 2025



Thank you to everyone who provided feedback on the consultation for the proposed auditing standard for less complex entities. We received 26 written submissions, had over 100 participants at our virtual events, and over 200 views of our videos. This document summarises what we heard.



## General support for adoption

- Smaller audit firms and sole practitioners generally supported adopting the ISA for LCE, and plan to use it, given the potential benefits of adoption and the nature of New Zealand's market, which has many less complex entities.
- Support for the standard was also expressed by users and preparers who responded.
- There is also support for the use of this standard in public sector audits.
- Those who were unlikely to use the standard include:
  - the larger international network firms whose methodologies are confined to the ISAs,
  - those who believe the current standards are already scalable or that their existing auditing tools, based on the full ISAs, would make it impractical to conduct audits using the ISA for LCE.



## Applicability

There was agreement from stakeholders to specifically prohibit FMC reporting entities with higher levels of public accountability (FMC HLPAs) and not add a quantitative threshold to the New Zealand standard.

## What we asked

The XRB sought views on whether to adopt the ISA for LCE standard in New Zealand, the applicability of the standard, and if and how to incorporate the audit of service performance information.



## Costs and Benefits

Overall respondents agreed that the benefit of adoption outweighs the costs or risks.

Some highlighted:

- the standard could lead to increased efficiency for practitioners, and that it may result in more effective audits for LCEs.
- it would be a useful training tool, offering graduates an opportunity to learn the audit process.
- the new standard may attract new auditors to the profession.

Respondents acknowledged potential risks in the consultation document such as perception issues and education and training costs, along with concerns regarding the potential lack of consistency in determining whether the entity is a LCE. Education and guidance were highlighted by many as being key to mitigate potential risks.



## Service performance information

The inclusion of the New Zealand-specific part to enable the audit of service performance information of a less complex entity when using this standard was supported by stakeholders.

