

To: [assurance@xrb.govt.nz](mailto:assurance@xrb.govt.nz)

**RE: Consultation on Audits of Less Complex Entities (LCEs)**

The Auckland Regional Amenities Funding Board (ARAFB) would welcome the introduction of the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE).

Last year we wrote to the XRB with concerns regarding escalating audit fees for charities and other non-profit entities. We fund seven charities and non-profits through legislation and audit has become a cost each amenity has highlighted as significantly increasing over recent years. I am pleased to see that this consultation is now taking place.

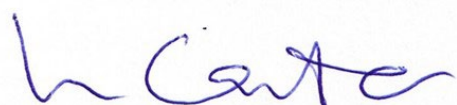
We understand the importance of audits, but we are not convinced that – in their current state – the audits conducted are proportionate to many charities' activities, nor their material risks. Despite their simple operations, charities are experiencing increasingly long and complex audits that require significant internal resources and incur high audit costs, which don't appear to add value to their work.

This creates a time and resource burden especially when charities run on thin margins, so any additional operating costs reduces the services they can provide to communities.

We agree that a quantitative threshold is not necessary, as the value of transactions is not a clear indicator of operational complexity. For example, the ARAFB handles approximately \$18M each year, but its financial operations are simple, receiving a levy from Auckland Council, and distributing most of these funds to seven specified amenities, with only a small portion being set aside for operational costs.

While we welcome a simpler audit model for less complex entities, we note the following statement in the consultation documents with some concern: *"It is important to emphasise that the tailored nature of the requirements of the ISA for LCE doesn't necessarily translate into lower fees, as the level of assurance remains the same"*. We recommend that the XRB seeks assurances from Audit NZ and other organisations that provide audit services that they will ensure that they take a simplified approach to the ISA for CLE and aim for fees for these audits that are lower than what non-profit organisations have been facing recently.

Kind regards,

A handwritten signature in blue ink that reads "Victoria Carter". The signature is fluid and cursive, with the first name being more prominent than the last.

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Chairperson  
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