

4 February 2025

Assurance Standards Team

External Reporting Board

**WELLINGTON**

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

### **SUBMISSION ON ISA (NZ) FOR LESS COMPLEX ENTITIES**

#### **Overall Comments**

Thank you for the opportunity to comment on the consultation document, *ISA (NZ) for Less Complex Entities: New Zealand adoption of a standard for audits of Less Complex Entities* ("ISA (NZ) for LCE"). Overall, we support the XRB's efforts in endeavouring to develop a New Zealand version of the ISA for LCE standard. We consider there is significant demand for such a standard in New Zealand and, in our view, adoption of the ISA (NZ) for LCE would assist practitioners in balancing the cost of an LCE audit with the benefit to users. However, we caution that if, as seems likely, the ISA for LCE standard is not widely adopted across the world, firms such as ours, that are part of a global network, will be unable to adopt this standard until a significant increase in adoption levels has been achieved and global networks have invested in developing an ISA for LCE compliant audit methodology. The significance of this risk appears to be understated in the XRB's consultation documents.

We have included our responses to the specific questions raised in the Consultation Document in Appendix 1. Information about the Baker Tilly Staples Rodway network is provided in Appendix 2.

We hope the comments contained in our submission are useful. If you would like to discuss any of these comments please contact me.

Kind regards



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**National Technical Director**  
**Baker Tilly Staples Rodway New Zealand**

## Appendix 1: Responses to specific questions in the Consultation Document

1. *Do you agree with the potential benefits and costs/risks as outlined? Are there other benefits or costs and risks to consider? How might the issues identified be mitigated?*

We agree with the list of potential benefits and costs/risks provided and do not consider there are additional benefits or costs/risks that require consideration. However, we do note that the potential lack of adoption of the ISA for LCE standard in all jurisdictions is listed as the last cost/risk. In our view lack of adoption of the ISA for LCE across the world is the number one risk which would impact on adoption of the standard in New Zealand. Refer to our response to question 3 for further discussion on this.

2. *Do you consider that the benefits of adopting the ISA for LCE in New Zealand outweigh the costs and risks of doing so? Why?*

Yes. In our view, the nature of the audit population in New Zealand, arising from legislation that requires audits for a number of small and non-complex entities, means there is widespread demand for adoption of such a standard.

The ISA (NZ) for LCE distils the key requirements of the ISAs, including NZ AS 1 (*Revised*) *The Audit of Service Performance Information*, down from 38 individual auditing standards to one stand-alone standard of less than 200 pages. While we have not undertaken a detailed comparison of the requirements of the ISAs with the requirements of the ISA for LCE, our understanding is that the core requirements are very much the same. This will allow auditors to streamline their audit approach and deliver a more efficient audit for LCEs. Our experience is that LCEs and their funders and other stakeholders are not overly familiar with the requirements of the ISAs and are likely to accept an LCE audit in much the same way as they accepted an audit undertaken using the ISAs.

3. *Will you or your firm use the ISA (NZ) for LCE? When? Please provide your rationale.*

Given our role as part of a global network, we will only be able to use the ISA (NZ) for LCE if this is permitted by our global office and an ISA for LCE compliant audit methodology has been developed (either globally or locally). Our global office has advised that *"at this point stakeholder support and regulatory endorsement is opaque and is clear in only a few countries which means that global effort for a global ISA for LCE tool is not yet warranted"*.

As such, while our New Zealand audit partners are supportive of the need for, and adoption of, the ISA (NZ) for LCE, we will be unable to adopt this standard until it has received global support and is formally adopted for use by our global office.

4. *Does the timing of the maintenance of the ISA for LCE affect your view on its adoption? Why?*

Yes. The potential 2 ½ year time lag between amendments made to the ISAs and corresponding amendments being made to the ISA for LCE standard is concerning as, not only will it result in inconsistencies between audits undertaken using the ISAs and those undertaken using the ISA for LCE standard, it may also mean that, for a period of time, the requirements relating to LCE audits are more stringent than those for audits of all other entities. We encourage the XRB to early adopt ISA changes into the ISA (NZ) for LCE standard wherever possible.

5. *Do you agree that FMC reporting entities with higher levels of public accountability should be prohibited from being audited under the ISA (NZ) for LCE?*

Yes.

6. *Do you agree that we do not specifically prohibit FMC reporting entities with lower levels of public accountability from being audited under the ISA (NZ) for LCE?*

Yes.

7. *Are there any other entity types that you believe that we should specifically prohibit to ensure appropriate safeguards exist around the use of the ISA for LCE in New Zealand?*

No. We consider it is appropriate to allow audit partners and firms to use their professional judgement to determine whether an entity meets the criteria for adopting the ISA (NZ) for LCE (i.e. is not an entity for which application is specifically prohibited and meets the qualitative characteristics outlined within the ISA (NZ) for LCE).

8. *Do you agree with the XRB's position not to have a quantitative threshold within the Authority section of the ISA (NZ) for LCE? If not, what thresholds would you suggest and why?*

Yes. Refer to our response to question 7 above.

9. *Do you support the addition of Part 11 in the ISA (NZ) for LCE to enable the audit of SPI?*

Yes. In our view, including the SPI audit requirements in the ISA (NZ) for LCE is in line with the objective of creating a stand-alone auditing standard for LCEs.

10. *Are the requirements in Part 11 appropriately tailored for LCEs? Are there requirements in Parts 1-10 that would be difficult to apply and should be refined? If so, how?*

Yes. We did not identify any issues with that requirements in Parts 1-10 that we consider would be difficult to apply.

11. *Do you agree that the EEM included in Part 11 is appropriate? If not, what do you recommend?*

Yes.

12. *What requirements in proposed ISA (NZ) for LCE could cause challenges for SPI? Do you have any suggestions on how to mitigate these challenges?*

While we acknowledge the broader issues in auditing SPI, we do not consider that these issues will be exacerbated as a result of the ISA (NZ) for LCE.

13. *Do you have any comments on the proposed New Zealand specific amendments or the Conforming amendments arising from the ISA (NZ) for LCE?*

No.

14. *Do you agree with the proposed application date of periods beginning on or after 15 December 2025? If not, why not?*

Yes.

15. *Do you have any other comments on the proposed standard?*

We really appreciate the work undertaken by the XRB in understanding whether the ISA (NZ) for LCE standard should be adopted for use in New Zealand.



**Appendix 2: About Baker Tilly Staples Rodway**

Baker Tilly Staples Rodway is an association of independent accounting firms, located in Auckland, Waikato, Tauranga, Hawke's Bay, Taranaki, Wellington and Christchurch. Baker Tilly Staples Rodway is a full-service accounting and business advisory firm with a strong reputation for providing quality advice to privately owned, corporate and public sector organisations.

Baker Tilly Staples Rodway provides cross-border services through our international affiliated firms, including Pitcher Partners in Australia and the Baker Tilly International network.