

Preliminary questions

What is your role? *

Preparer (i.e. accountant, management, director) ▼

Please provide your name *

Cameron Fisher

Please provide the name of the organisation that you are employed by, or affiliated with *

CATAS Limited

Please provide your email address *

cameron@catas.co.nz

Weighing up the potential benefits and issues

Do you agree with the potential benefits and costs/risks as outlined in the consultation document?

Yes

No

Are there other benefits or costs and risks to consider? How might the issues identified be mitigated?

A potential benefit of this change would be an increase in the availability of auditors willing to provide services to LCEs. Within our own client base, several auditors have ceased engagements with smaller clients stating the audit standards no longer make it cost-effective or practical to audit smaller entities. The pool of willing auditors is noticeably significantly smaller than five years ago.

In regard to the risk of a perception of reduced audit quality, the NFP reporting standards already consist of four different reporting tiers. The same logic could be applied that a tier 3 report could be perceived as of lower quality than a tier 2 report. However in practice, this is not the case. Grant funders, government agencies, and other users all accept the different tiers relate to the requirements set by the XRB and the context each entity operates in. It is our opinion the new ISA for LCEs would be similarly viewed.

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

Yes

No

Why?

Audit standards have been increasing in complexity for many years. The level these standards are set at far exceeds the contexts LCEs operate in. The status quo is unsustainable. This proposal represents a practical and sensible solution to a pressing issue and it has our full support. This is greatly needed in the sector.

Will you or your firm use the ISA (NZ) for LCE?

Yes

No

Not applicable

Does the timing of the maintenance of the ISA for LCE affect your view on its adoption?

- Yes
- No

Why?

Not an auditor

Do you have any other comments regarding the potential benefits and issues, adoption, or maintenance of the ISA for LCE.

I appreciate the consultation document states this change may not lead to lower audit fees. However a positive outcome from this new standard, while not the intention, would be if fewer audit hours were required on an LCE client and therefore lead to slightly reduced or more stabilised audit fees. For those who have a choice, i.e. not at statutory thresholds or with large grant funding, several clients have recently updated their trust deeds to remove the audit requirement clause as they can no longer afford the audit fees and can no longer justify the cost over the benefit. Significant increases in audit fees in recent years are a growing issue and leading to less engagement by LCEs with auditors.

Applicability in New Zealand

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
- No

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
- No

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?

Do you agree with the XRB's position not to have a quantitative threshold within the Authority section of the ISA (NZ) for LCE? *

- Yes
- No

If not, what quantitative thresholds would you suggest and why?

Excluding all tier 1 entities would help simplify who the ISA (NZ) LCE can apply to

Do you have any other comments regarding the Authority?

Audit of service performance information (SPI) with the ISA (NZ) for LCE

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

- Yes
- No

Are the requirements in Part 11 appropriately tailored for LCEs?

- Yes
- No

Are there requirements in Parts 1-10 that would be difficult to apply and should be refined? If so, how?

Do you agree that the EEM included in Part 11 is appropriate?

Yes

No

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

Final questions

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

Do you agree with the proposed application date of periods beginning on or after 15 December 2025?

Yes

No

Do you have any other comments on the proposed standard?

Thank you

We thank you for your time spent completing this feedback form. Please press submit for your response to be recorded.
If you have any further comments or attachments, send them to assurance@xrb.govt.nz