

From: [Craig Fisher](#)
To: [XRB Assurance Standards](#); [Misha Pieters](#); [Bruce Mcniven](#)
Subject: LCE Consultation feedback from Craig Fisher
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Attachments: [image001.png](#)

Dear NZAuASB and team

Thanks for the opportunity to provide feedback albeit apologies in advance for the brevity of my submission. I trust that my comments and input made while being on your recent webinar panel on the LCE consultation have already been taken into account by the team and will not specifically repeat them here.

I make these comments as someone who has been deeply involved in this debate, as both a practicing auditor and standard setter since last century. More latterly I find myself as a consumer of auditing services across a range of entities.

In summary I am in support of adopting the LCE standard in New Zealand.

I believe that there will be sufficient use cases to prove its worth, especially amongst smaller or sole audit practitioners which appears to be an area of practice somewhat under threat at present in NZ. Albeit that this may take some time to gather momentum amongst audit practitioners. I am positively persuaded by the opportunity, and the positive indications from the representative from the OAG on the webinar, to utilise this standard for a significant suite of OAG audits being the audit of schools. From my long experience in these audits I think this standard could be well suited to this significant block of audit work in NZ. This would also provide a useful base of auditors who would then find it much easier to then apply this standard to other less complex audits. There are many of these audits required in the for-purpose space, especially of charities, and the ability to utilise the benefits of the LCE standard should in my view allow more cost effective audit option and hopefully assist in the sustainability of the audit profession to service this important but smaller and simpler end of the audit market in NZ.

I was initially surprised by Australia and Canada not seeking to adopt at this stage. However I don't see that as a reason to inhibit NZ. Those jurisdictions have quite different populations of entities to be audited with NZ arguably having a greater proportion of LCEs required by legislation to be audited.

Turning to your specific questions:

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

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. The market for auditors has been under increasing threat for some years now. The complexity and sheer volume of the suite of ISAs has made it increasingly difficult for smaller auditors.**

This has caused many to make the choice to leave this market. Coupled with ongoing challenges attracting people into the audit profession and then seeing them stay in it through to senior levels equates to a sustainability threat. I know from now being on the other side of the fence that seeking auditors for small statutory audits is difficult. I believe the LCE standard may assist address some of this pressure at the lower end.

3. Will you or your firm use the ISA (NZ) for LCE? When? Please provide your rationale. **No longer providing audit services. Just a consumer of them now!**

4. Does the timing of the maintenance of the ISA for LCE affect your view on its adoption? Why? **No. Reflecting on changes to audit standards in recent years they have largely been tweaks or refinements or additions of detail (often at the behest of regulators). In my experience I am struggling to think of any that have resulted in fundamental changes to the core principles of performing a good independent audit. As such I don't think that delays in maintenance of a couple of years would prove fatal to audit quality which is the key point here.**

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? **Absolutely agree.**

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?

Agree. However, one of the key focus areas on introduction of this standard will be guidance and training for auditors around assessing if the LCE standard can be applied. I see this as one of the largest practical issues in its implementation and use.

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? **None spring to mind.**

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? **Yes. Size per se does not equate to complexity.** If not, what thresholds would you suggest and why?

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

10. Are the requirements in Part 11 appropriately tailored for LCEs? **I thought it was well written and succinct. Well done.** Are there requirements in Parts 1-10 that would be difficult to apply and should be refined? If so, how?

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

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? **In my experience the main challenge for auditors in auditing SPI is being too hung up on numeric measures and traditional accounting style recording systems. IMHO what is actually needed is more of a first principles mindset to auditing. I.e. the auditor is seeking to independently verify/assure information provided by their client based on some systems of recording and assessing the verifiability of those systems in enabling accurate recording. Personally I think the brevity of the SPI requirements in the LCE may help engender this first principles auditing clarity.**

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? **I query why this needs to be so far out? I expect once some auditors get their heads around this LCE standard they may be keen to crack on and start using it. I do appreciate there will be a need for professional bodies and possibly others to assist with training etc.**

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

In summary, well done in continuing to grapple with this challenging area. I hope this does go ahead and is supported by the professional bodies and the profession and that it provides a valuable cost effective and pragmatic tool to go in the auditors toolkit.

Kia kaha!

Ngā mihi

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