

## Consultation Questions

Respondents are asked to consider the following questions and to respond to the XRB by 27 February 2025.

**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?**

Yes Cranford hospice as a registered charity agrees with the potential benefits and costs / risks as outlined.

An audit that provides reasonable assurance is not, in our view an audit of lesser quality, as audits are often “qualified” for one reason or another.

**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?**

The introduction of a new less complex audit, tailored for the local NZ environment is welcomed. We currently have one audit standard for all organisations regardless of size and complexity (from multi nationals such as Rio Tinto to the local schools who run voluntary boards). It could be argued the current arrangement disadvantages both parties large and small. Is there enough rigour in an audit for the multi-national? Conversely is the small budget of a local school being burdened with unnecessary obligation.

Auditor costs are born by the recipient of the audit. While we appreciate that the new standard will not necessarily be “a cheaper audit”, we appreciate that a less complex audit may well lead to a softening of cost escalation over the medium term. We accept this is not a foregone conclusion. The introduction of new standards for LCE’s also allows for the introduction of new audit providers who choose to subspecialise in such an environment (competition).

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

This will be for the Finance Audit and Risk Committee to determine; however, it seems logical that small charities such as hospices would be very interested in this form of audit. The crown, as a funder would also be required to agree.

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

No, not every standard is reviewed annually. It would need to be kept current with political policy changes.

**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 we 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?**

As a charitable organisation Question 5-7 may have subtleties around the edges that we do not appreciate, however on the surface of it, yes we support this. A consideration for us may be the reliance placed on the FMCs for public funding, under this where there is a delineation of funding requirements i.e. where financial charities are required to ensure distribution of a percent of their funds or income. Whether this is affected by using LCE is not clear at this stage.

**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?**

Again, probably beyond our expertise, but we agree that financial business-like investment funds for charities might benefit from higher levels of safeguarding.

**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, however there would need to be clear rationale for how the standards apply and to whom. We understand that unlike international organisations most of NZ business is run at a threshold below the international levels for inclusion, so it is appropriate to set our own terms for the threshold if any. It makes sense to use other criteria for complexity and we agree with the suggestions in A3 of the Draft ISA, excepting the key management team number as we run a flat organisation with a lot of department heads who are considered part of the management but actually have very little or no responsibility for the financial management of the organisation. Is there a way of defining key management for the purposes of the ISA, limiting the key management personnel to people who can affect change or make financial decisions within the organisation.

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

Yes, we support the addition of Part 11 to enable audits of the Service Performance Information and note that it should be flexible based on need (option #1 of the proposal in part 11)

**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?**

One of the key difficulties with the SPI is that the charities' needs often conflict with the audit requirements. This happens as in organisational terms the SIP is seen as a story telling opportunity to showcase the work that the organisation does for its members/ community and an opportunity to solicit more funds. However, from an audit perspective some of these are not measurable, auditable or even necessarily attributable to financial performance.

It would be useful if the LCE or in fact NZ AS 1, whichever option is adopted, could be amended to allow for recognition and separation of these two features and allow for the inclusion of more narrative that does not require any auditing beyond a sense check against the other audit factors that have already been reviewed, without requiring an automatic qualification on the audit report.

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

Yes, it is quite comprehensive.

**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 the guidelines are comprehensive, there does not appear to be any significant difference in simplifying the audit process for the SIP between the two. Given that the purpose of the change is to make it less complex perhaps there could be some guidelines as to what depth of audit is required and maybe a lightening on the requirements mentioned in Part 11.

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

See below

**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?**

Like many charities, hospices have accountability and transparency requirements for their community, donors and taxpayers. We support the new standards which reduce complexity of the audit requirements.

We understand that the IAASB has recommended countries establish their own quantitative parameters for inclusion and the Tier system that exists within the NZ audit environment may provide a logical approach.

Charities do find audit costs significant. It would be hoped that over time the implementation of the standards would dampen the escalation of audit fees over time.

Auditing the Statement of service performance is important for organisational accountability. However different audit agencies have interpreted the need for audit in different ways. Our audit experience involved an auditor sitting with a senior medical clinical for 5-part days combing through medical files to be assured that “contacts” were auditable. This proved a costly exercise, not to mention a poor use of our Senior Medical Officer and his time.