

Supplement 2-16 to Agenda Item 6

Audits of Less Complex Entities – ED-ISA for LCE – Q8 – Please provide your views on the overall design and structure of ED-ISA for LCE., including where relevant, on the application of the drafting principles (paragraph 98-101).

Section 4D – Overall Design and Structure of ED-ISA for LCE\Question 8 - Views on the overall design and structure of ED-ISA for LCE\1) Agree Approach

Files\4. National Auditing Standard Setters

Japanese Institute of Certified Public Accountants

We support the proposal.

Public Accountants and Auditors Board Zimbabwe

We support the overall design and structure of the proposed standard as well as the overall drafting principles

Files\5. Accounting Firms

Crowe Global

We agree with the approach taken to the overall design and structure of the proposed standard, and of the application of the drafting principles.

PKF International Limited

We support the overall design and structure of ED-ISA for LCE.

Files\6. Public Sector Organizations

Auditor-General of New Zealand

We consider the overall design and structure of the proposed standard is reasonable and appropriate.

Government Accountability Office (USA)

The overall design and structure of the ED-ISA for LCE is logical and presents the standard in a logical manner.

Files\7. Professional Accountancy and Other Professional Organizations

Belgian Institute of Registered Auditors (IBR-IRE)

The overall design and structure is in line with our expectations.

Botswana Institute of Chartered Accountants

The overall design and structure of the proposed standard is appropriate.

Chamber of Auditors of the Republic of Azerbaijan

Overall design and structure of ED-ISA for LCE including the application of the drafting principles are satisfactory.

Chartered Governance and Accountancy Institute in Zimbabwe

We are happy with the overall design and structure of the proposed standard as well as the overall drafting principles.

Confederation of Swedish Enterprise

We support the chosen approach.

Federation of Accounting Professions of Thailand

None. We believe the overall design and structure of proposed standard is sufficient and appropriate.

Indonesian Committee on Public Accountant Profession (KPAP)

KPAP believes that the overall design and structure of ED-ISA for LCE are sufficient. Furthermore, KPAP supports the IAASB for making the standard more understandable and applicable. Hopefully, this ED-ISA

for LCE will be more effective and efficient during the implementation. We are contented that the various simplifications in the ED-ISA for LCE do not reduce audit quality nor the essence that the auditor should fulfill all requirements to complete an audit engagement.

Institute of Certified Public Accountants in Israel

Response:

We believe that the design and structure of the text is in line with the relevant needs.

Institute of Certified Public Accountants of Kenya

We are comfortable with the overall design and structure of the proposed standard as well as the overall drafting principles.

Institute of Certified Public Accountants of Rwanda

In our view, the ED-ISA for LCE has a good overall design and structure.

Institute of Certified Public Accountants of Uganda

We agree with the overall design and structure of the ED-ISA for LCE.

Instituto dos Auditores Independentes do Brasil

We agree with the presentation (flow of an audit) and we appreciate the introductory boxes to each part, as well as the specific communication and documentation requirements in each Part, as that will be really helpful to practitioners.

International Federation of Accountants' Small and Medium Practices Advisory Groups

Overall, the SMPAG was generally supportive of the design and structure of the standard and agrees with the structure being similar to the flow of an audit.

Korean Institute of Certified Public Accountants

We agree with the overall design and structure of ED-ISA for LCE.

Polish Chamber of Statutory Auditors Warsaw (Regional Branch)

Appropriate.

Society of Certified Accountants and Auditors of Kosovo (SCAAK)

Overall, we agree with the fundamental principles, design, and content of the standard. We especially like the way it follows the logical flow of the audit.

We welcome the overall design and structure.

Files\8. Academics

Argentine institute of Auditing Professors

The design, general structure and wording of the ED-ISA for LCE are considered appropriate.

Files\9. Individuals and Others

Cristian Munarriz

I generally agree with the approach.

Specific Questions\Section 4D – Overall Design and Structure of ED-ISA for LCE\Question 8 - Views on the overall design and structure of ED-ISA for LCE\2) Agree with Supporting Comments

Files\3. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority

The design of the ED-ISA for LCE makes the standard easy to understand and apply especially with tailoring the standard to the nature and circumstances of the entity and the audit engagement which will be more effective and efficient.

The layout of avoiding bullet list wherever possible is also a good idea as the standard might be taken as a checklist instead.

Files\4. National Auditing Standard Setters

Australian Auditing and Assurance Standards Board

The AUASB supports the flow of the standard being in line with the process of an audit. We also received feedback from local practitioners that, if implemented, the design and structure of the proposed ED-ISA for LCE Standard would be considered a good reference tool or practice aid that supports an auditor's overall understanding of how an audit is performed.

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

The structure according to flow of an audit is more appropriate and makes the ISA for LCE standard easier to read, to understand, and apply than the structure of the ISA according to subject matter or topic.

Canadian Auditing and Assurance Standards Board

What stakeholders told us

Stakeholders, particularly SMPs and developers of firm methodologies and tools, strongly supported the design and structure of ED-ISA for LCE. They were in favour of the requirements being presented in an understandable and straightforward way, including having the requirements follow the flow of an audit engagement. They felt that such design and structure provide for easier reading and understandability of the standard. They also noted that it may contribute to more effective and efficient development of methodologies and training for audits of LCEs.

AASB views and recommendations

We strongly support the overall design and structure of ED-ISA for LCE. In our view, the IAASB has followed the Drafting Principles and Guidelines developed by the Complexity, Understandability, Scalability and Proportionality Working Group.

Royal Netherlands Institute of Chartered Accountants (NBA)

The grouping to follow the 'flow of the audit' makes sense. However, auditors will need to get used to this structure.

Files\5. Accounting Firms

Baker Tilly International

The ISA for LCE is designed and structured in a manner which should be the template for all ISAs going forward.

BDO International

We have no issues with the revised presentation and order of the requirements identified, which mirrors the usual flow of an audit. We find the introductory boxes to each part helpful to focus the auditor's attention, and the continued use of objectives and requirements will make the application of each section understandable.

We also appreciate that the IAASB has segregated specific communication requirements and specific documentation requirements in each Part, as that will be very useful to practitioners.

We believe that the drafting principles in paragraph 98 are appropriate guidelines for drafting the proposed LCE standard.

Duncan & Toplis Limited

We believe that the design of the structure provides a clear path for the performance of the audit process, from planning to completion. We believe that this structure supports a simplified audit approach.

Grant Thornton International Limited

In general, we support the overall design and structure of the proposed standard. Based on our outreach, some found the organisation of the requirements in the sequence of how an audit is performed helpful and instructional, whilst others preferred organisation by topic, consistent with the organisation of the ISAs. We also find the consistent presentation of each of the parts helpful in the navigation of the proposed standard. The drafting principles are sensible, and we encourage the IAASB to be stringent in its application of those principles. As the CUSP project is still in its early stages, we also encourage the IAASB to reflect updates from this project as the ED-ISA for LCE is finalised.

RSM International

The incorporation of the ISAs into the proposed standard is clear and well structured. It is easy to read and flows in a logical order through the audit process.

Files\6. Public Sector Organizations

Office of the Auditor General of Alberta

Overall, the design and structure of ED-ISA for LCE's is similar to consolidating all the ISAs into a single ISA. We think this is a good approach for a less complex entity standard.

Files\7. Professional Accountancy and Other Professional Organizations

ASEAN Federation of Accountants

Many responses from our region appreciate the conciseness, relatively easy-to-understand design, structure, and overall flow of the proposed standard, highlighting consistency with the process (i.e., 9 parts) involved in audits of LCEs. Formulation of the standard that draw upon existing principles in ISAs provides familiarity and incentive for stakeholders' acceptance. We believe this would contribute to the successful and consistent application of the standard.

Chamber of Auditors of the Czech Republic

We appreciate the way how the requirements are presented (reflecting on the flow of the audit from engagement acceptance and planning through risks identification to concluding and reporting) which is more practical for auditors and could lead to higher quality of audits as it could be easily incorporated to the practitioners' audit methodology guides.

Chamber of Financial Auditors of Romania

The overall design and structure of the proposed standard will help practitioners to meet the requirements of an audit, since it follows the flow of an audit from the very early stages to forming the audit opinion and reporting. We agree with the inclusion of general, communication and documentation requirements for each of the nine parts of the proposed standard.

Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants

Overall, the design and structure of the standard has been received favourably. Our stakeholders highlighted that the current structure follows the stages of an audit and that it is also very helpful for training programs within their firms.

CPA Ireland

CPA Ireland supports the approach to the overall design and structure of the LCE. In particular, we consider that the proposed grouping of key stages of the audit together, reflecting the flow of the audit process, to be beneficial and consider that it will enhance the navigation of the standard.

Institute of Chartered Accountants of Ghana

Response: Structure - The content (i.e., the requirements and related EEM) of ED-ISA for LCE have been grouped into nine “Parts” that follow the flow of an audit engagement (rather than by subject matter or topic like the ISAs). There is therefore a natural order of this ED-ISA that mirrors more closely an audit and is therefore easier to follow than conventional ISAs. These nine Parts are preceded by a Preface to the standard, and the Authority.

Preface - Explains the design, intended use and format of the proposed standard, the responsibilities of management and the approach to future maintenance of the standard, as well as other relevant matters that do not form part of the standard

Authority (Part A) - Sets out the circumstances for which the proposed standard is prohibited or otherwise limited.

Parts 1 – 3 - Set out the broad concepts and overarching matters relevant to the audit performed using ED-ISA for LCE, including the overarching objective of the audit. Section 4E below further explains the detailed content of each individual Part.

Parts 4 – 9 - Set out the core requirements for an audit of an LCE following the typical flow of an audit. Section 4E below further explains the detailed content of each individual Part.

Appendices - Appendices 1 – 6 set out certain specific considerations and matters for an audit of an LCE, and also illustrative documents. Appendices presented within the ED-ISA for LCE have the same status as the EEM.

This to us is a complete and comprehensive approach for such an important standard.

With respect to drafting principles; - The use of long or multiple layers of bullet lists is avoided as this may be perceived as a checklist rather than a principles-based approach. Material that is lengthy, educational or background in nature has not been included. In addition, the IAASB has focused on:

- Simpler numbering.
- Limiting the number of “sub-bullets” where appropriate.
- One thought per paragraph.
- Combining requirements from the ISAs where appropriate and avoiding repetition.
- Articulating the requirements in a clearer and simpler way where feasible.

These are all important in combining the ISAs and simplifying the output to be applied in an audit of LCEs. IAASB should also develop application and other explanatory material just like it applies to ISAs.

Institute of Chartered Accountants of Jamaica

The ED-ISA for LCE is simple, concise and easy to understand and will contribute to an effective and efficient audit.

Institute of Chartered Accountants of Namibia

The design and structure make the standard easy to follow.

Institute of Chartered Accountants of Pakistan

We support the overall design and structure of the ISA for LCE.

The proposed ISA for LCE is based on the core requirements of ISAs which have been adapted to the nature and circumstances of the less complex entities. The structure of ISA for LCE follows the flow of financial statements audit engagement.

It is expected that the structure and drafting of the proposed standard would facilitate the auditors in understanding and practically applying the ISA for LCE.

Institute of Chartered Accountants of Scotland

We welcome the proposed overall design and structure of the ED-ISA for LCE. The approach adopted is user friendly and easy to read for practitioners and indeed for other stakeholders. The additional EEM approach is also welcomed as this helps to facilitate exactly what is expected of the auditor. The recent introduction of the e-International Standards (eIS) platform will also help facilitate more efficient navigation of the standard and easy access to any supporting non-authoritative material although it will of course need to be clear to highlight the status of such content.

We also believe that the drafting principles have been applied in an appropriate manner.

Institute of Indonesian Chartered Accountants (IAI)

The standard is concise, written in plain/understandable English, and still based on the same objectives of achieving high quality audit.

Instituto Mexicano de Contadores Públicos (IMCP)

In general, we consider it is convenient that the ISA for LCE has been designed and structured according to the flow of an audit and this contributes to ensure that the execution follows a logical order so that the audit teams establish their work programs as well as the way in which the audit will be developed.

Regarding the way in which the ED has been drafted, we consider it is helpful for the understanding and implementation of the materials as it has been prepared in a concrete manner, using simple language, without too many technicalities, avoiding unnecessary repetitions and easy to read.

Instituto Salvadoreño de Contadores Públicos (ISCP)

In relation to the three points of consultation, the ISA for LCE has a logical structure and approach, suitable for Less Complex Entities, its flow follows the audit process and its design is simplified.

Malaysian Institute of Certified Public Accountants

The overall design and structure are good and helpful to navigate through the various sections.

REA Auditores

Overall, we agree with the fundamental principles, design, and content of the standard. We especially like the way it follows the logical flow of the audit and the clarity and concise writing.

We welcome the overall design and structure. We believe the design and structure to be logical and effective. Indeed, in following the flow of the audit, in contrast to the full ISAs that are organized topic by topic, the standard is more easily read and understood.

Self-Regulatory Organization of Auditors Association (SRO AAS)

The overall design and structure of ED-ISA for LCE, including where relevant, on the application of the drafting principles, seems to be different from those in the ISAs but are justified from the point of view of the flow of the audit process and its conclusion.

South African Institute of Professional Accountants

The IAASB aims to set high quality international standards that are understandable, clear and capable of consistent application, thereby serving to enhance the quality and uniformity of practice worldwide. This includes presenting any required actions as clear, understandable and stated as simply and concisely as practical. The use of long or multiple layers of bullet lists is avoided as this may be perceived as a checklist rather than a principles-based approach.

The proposed drafting principles and guidelines being developed under the CUSP Workstream have been used where appropriate in drafting ED-ISA for LCE.

We agree with the overall design and structure of the proposed standard as well as the overall drafting principles.

We welcome the IASB's approach in which the separate standard would present the requirements for an audit of an LCE based on the core requirements of the ISAs but drafted and presented in a more understandable and straightforward way

Union of Chambers of Certified Public Accountants of Turkey (TURMOB)

The overall design and structure follow the actual flow of audit process, which makes the whole set of standards easy to comprehend and use. Other drafting principles mentioned in the ED has worked well in favour of user/reader friendliness.

Wirtschaftsprüferkammer (WPK)

Overall, the draft seems easy to understand and reads fluently. The successful structuring of the ED's content to the flow of the audit supports the conduct of LCE audits and increases the manageability of the standard.

Files\9. Individuals and Others

ASK KSA Consulting Inc.

We believe the overall design and structure of the proposed standard is appropriate. The standard is easier to read and therefore most likely easier to apply. No further comments.

Rodoula Roussou

I agree with the overall design and structure of ED-ISA for LCE and the fact that the standard will present the requirements for an audit of an LCE based on the core requirements of the ISAs but drafted and presented in a more understandable and straightforward way, including that the requirements follow the flow of an audit engagement.

I believe that the same design and structure should be used for all ISAs. This standard could evolve to be used as the cornerstone to build in the future a new set of ISAs. As the basic core requirements, of an audit that enables the auditor to provide reasonable assurance, are the same for an LCE as in any other audit, the ISAs should be built on this basis. The ISAs could be structured on the basis of 'components' that apply to any audit and other 'components' (or 'additional modules' as discussed in §138 of EM) that can be used only if relevant in the specific audit. This structure could address the issues discussed in 1(a) about the numerous revisions that resulted in the growing concern about the length, complexity, and understandability of these standards and their application not only to audits of LCEs but also for all audits. We believe that a total rewriting of the ISAs on the basis of the principles, 'building blocks', 'think less complex first' or similar basis, is both necessary and urgent.

Specific Questions\Section 4D – Overall Design and Structure of ED-ISA for LCE\Question 8 - Views on the overall design and structure of ED-ISA for LCE\3 Areas Identified for Improvement\Areas supported (other than specific comments)

Files\3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

We support the overall design and structure of the proposed standard as well as the overall drafting principles applied. We also agree that the separate standard should be based on the ISAs and retain the robustness of an audit, using ISAs to support a quality audit. The design and structure allow for a great flow of information in line with how an audit is performed. Many sections have been condensed into one part to allow for concise documentation and an avoidance of repetitions.

Files\4. National Auditing Standard Setters

Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts-Comptables

We have no concern with the overall design and structure of ED-ISA for LCE.

Federación Argentina de Consejos Profesionales de Cs. Económicas

The design and structure that follow the flow of an audit is considered a highly favorable finding

Institute of Chartered Accountants of India

We agree with the overall design and structure of ED-ISA for LCE., including where relevant, on the application of the drafting principles

Files\5. Accounting Firms

Ernst & Young Global Limited

We support the design and structure of the ED-ISA for LCE to follow the flow of an audit (rather than topic-based like the ISAs). The consistent structure of each part helps the users to easily understand the requirements.

ETY sas

We are comfortable with the overall design and structure of the proposed standard as well as the overall drafting principles. Specifically, we support that the separate standard should be based on the ISAs and retain the robustness of an audit using the ISAs to support a quality audit.

Famme & Co. Professional Corporation

We find the design and structure of the proposed standard to be much more useful than the design and structure of the existing ISA (CAS). The proposed standard mirrors the workflow nature of an audit and therefore provides a practical approach in the planning and performance of an audit. Note our comments on question 1 (a), however. We don't support the standalone approach, and would prefer to see the existing ISAs laid out in this more logical flow.

KPMG IFRG Limited

We believe the overall design and structure of the LCE ISA is appropriate, based on the IAASB's stated intentions in respect of the standard, and our assumptions set out in Appendix 1 to this response.

Mazars

The overall design and structure of ISA for LCE is good and the principle-based approach is important to emphasize. The requirements are presented in a more understandable way.

PriceWaterhouseCoopers

We support the concept of reordering the standard to follow the logical flow of an audit. We also support the principle of avoiding long sentences, and the idea of addressing "one thought per sentence".

Files\6. Public Sector Organizations

Audit Scotland

The organisation of the ISA for LCEs to follow the flow of an audit engagement makes it more accessible and removes some unnecessary duplication that is in ISAs.

Files\7. Professional Accountancy and Other Professional Organizations

Accountancy Europe

The structure following the phases of an audit process makes the standard easy to read for both practitioners and other stakeholders. Essential explanatory materials help better understanding the requirements by providing guidance on how to implement them.

ASSIREVI

The overall design and structure of ED-ISA for LCE achieve the objective of having a single concise and exhaustive guide to the audit of an LCE.

Chartered Accountants Ireland

Our overall assessment view of the design and structure of ED-ISA for LCE is that it is a clear, consistent and user-friendly document.

CPA Australia

The drafting principles are sound. In particular, we support the requirements following the flow of audit engagements and being drafted in a more understandable and straightforward way.

European Federation of Accountants and Auditors for SMEs

We welcome the overall design and structure.

We believe the design and structure to be logical and effective. Indeed, in following the flow of the audit, in contrast to the full ISAs that are organized topic by topic, the standard is more easily read and understood and emulates the structure commonly and successfully used in implementation material, such as the IFAC ISA Guide. Moreover, those developing implementation material can follow the same or similar structure.

Finnish Association of Authorised Public Accountants

We support the overall approach, design and structure of the standard. We appreciate it that the structure follows the natural flow of the audit – it makes the standard logical and easy to read. We also support the use of EEMs in the right context compared to the application material being a separate part of each ISA. This further helps the auditors to find relevant guidance when needed. A logical flow helps with the building and updating of the audit software – although we have some comments about EEMs to question 7.d).

Institute for the Accountancy Profession in Sweden (FAR)

The overall design and structure of ISA for LCE is good and the approach to a principle-based approach is important to emphasize. The requirements are presented in a more understandable way.

Institute of Chartered Accountants in England and Wales

Length, flow and comprehensibility: repeated requests by auditing standard-setters for details about which ISA requirements cause problems for LCEs have often elicited responses that refer, inter alia, to the absolute length of the ISAs, their flow and comprehensibility, including the poor use of language. The fact that the ED is considerably easier to read and flows better than the extant ISAs is therefore welcome, regardless its other limitations.

“This standard is 100 pages long. It flows, it’s far easier to read than the 1200-page version a lot of which just isn’t relevant to my clients. It’s short enough for me to take it out on a job and use. That is a massive improvement.”

Peter Hollis, Principal, Hollis and Co Chartered Accountants, member of IFAC’s SMP Advisory Group and ICAEW’s Technical Strategy Board

The overall design and structure of the standard is generally good.

Nordic Federation of Public Accountants

We strongly support the principle-based approach, the overall design and structure of the different parts in the draft standard. We appreciate that the structure follows the natural flow of audit. With requirements presented in a natural context, the standard is easy to follow and to understand. We believe that the

pedagogic way of drafting the standard might actually increase audit quality in these audit assignments, partly since it also encourages the use of professional judgment instead of a checklist approach.

Ordre National des Experts Comptables et des Comptables Agréés du Burkina Faso (ONECCA-BF)

We are comfortable with the overall design and structure of the proposed standard as well as the overall drafting principles. Specifically, we support that the separate standard should be based on the ISAs and retain the robustness of an audit using the ISAs to support a quality audit.

Pan-African Federation of Accountants (PAFA)

We are comfortable with the overall design and structure of the proposed standard as well as the overall drafting principles. Specifically, we support that the separate standard should be based on the ISAs and retain the robustness of an audit using the ISAs to support a quality audit.

Saudi organization for Chartered and Professional Accountants

In our view, the overall design and structure of the ED-ISA for LCEs satisfy the main purpose of developing a separate standard where ISA requirements are made clear, understandable and proportionate to the nature of LCEs. Drafting the requirements in a clear, understandable, simple and concise way is found helpful and practical. Structuring the core requirements of parts 4-9 in a manner that corresponds to the typical flow of an audit is exceptionally found beneficial to ease navigating, comprehending and potentially applying the requirements. We believe that this does not only help with the clarity and understandability of the standard's requirements but also can educate SMPs (especially newcomers) to consider every requirement where it should be applied.

South African Institute of Chartered Accountants (2)

We agree with the current structure of presenting the requirements according to the various stages of the audit process. This certainly gives context to where the requirements (of the different ISA's) fit into the bigger picture.

Files\8. Academics

Hunter College Graduate Program

We support the overall design as being consistent throughout the ED-ISA. The IAASB focused on aspects of simpler numbering, limiting the sub-bullets, one thought per paragraph, combining requirements from the ISA, avoiding repeating items, and being clear and simple. These changes help the reader learn about the guidelines and specifically find what they are looking for.

Files\9. Individuals and Others

Vera Massarygina

Drafting principles are correct. And it is important to stress process like approach instead of subject matter or topic like approach in the ISAs (para.92, 96). See para 7 (a, d) above.

Specific Questions\Section 4D – Overall Design and Structure of ED-ISA for LCE\Question 8 - Views on the overall design and structure of ED-ISA for LCE\3) Areas Identified for Improvement\Comments on Authoritative Status of Guidance (Will be Combined with Similar Comments In Future Analysis)

Files\1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

One of the objectives of the IAASB was to issue a standard that is concise and limited in volume. In this regard, given the amount of the materials issued by IAASB (the draft standard, the supplemental guidance for authority, the supplemental guidance for auditor reporting, the glossary of terms to be included as an appendix to the separate standard) it appears that this objective has not been met. This highlights our concern about whether a separate standard for LCE is appropriate. Moreover, the different authority in these various materials may also be a source of difficulties for auditors of LCE.

We would like to understand the reasoning behind why the format and content for an unmodified auditor's report is included in the standard, while the format and content for an auditor's report containing a qualified opinion, emphasis of matter paragraph and/or other matter paragraph is included within illustrative auditor's reports in the non-authoritative supplemental guidance.

Files\3. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies

Authority of the accompanying documents

Besides, considering the different level of authority of these materials provided with the ED (in particular, part 9 of the ISA for LCE regarding reporting and the supplemental material on auditor's reporting which has a non-authoritative nature), we fear that, on one hand, auditors might face certain difficulties applying all these materials and, on the other hand, oversight bodies will also face some difficulties to assess and enforce their proper application by auditors.

Irish Auditing and Accounting Supervisory Authority

The authority of the materials provided along with the separate standard should also be clarified to avoid any confusion among auditors on their applicability.

Moreover, the different authority of these various materials may be a source of difficulties for auditors of LCE. For example, the format and content for an unmodified auditor's report is included in the standard, while the format and content for an auditor's report containing a qualified opinion, emphasis of matter paragraph and/or other matter paragraph is set out in the non-authoritative supplemental guidance.

Specific Questions\Section 4D – Overall Design and Structure of ED-ISA for LCE\Question 8 - Views on the overall design and structure of ED-ISA for LCE\3) Areas Identified for Improvement\Comments on General Length with Guidance (Will be Combined with Similar Comments In Future Analysis)

Files\1. Monitoring Group

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One of the objectives of the IAASB was to issue a standard that is concise and limited in volume. In this regard, given the amount of the materials issued by IAASB (the draft standard, the supplemental guidance for authority, the supplemental guidance for auditor reporting, the glossary of terms to be included as an appendix to the separate standard) it appears that this objective has not been met.

Files\3. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies

Volume of the standard and accompanying documents

Another concern that we would like to raise is that one of the objectives that the IAASB has expressed throughout this project is that they wanted to keep the standard simple and concise and to reduce complexity. Considering the amount of material that has been finally issued with the ED including the ISA for

LCE, the supplemental material on auditor’s reporting and the supplemental material on the authority of the standard, we doubt whether the proposed objective of the IAASB has been achieved.

Independent Regulatory Board for Auditors (IRBA)

A concern/challenge noted by stakeholders is the length and volume of the ISAs and the difficulty for auditors of less complex entities to navigate the full set of ISAs when performing an audit. As such, one of the objectives of this project was to issue a proposed standard that is shorter. However, the proposed standard is over 100 pages in length, excluding the glossary of terms, the various supplemental guidance material already developed and the additional implementation and support material still to be developed. This is a real and practical concern. Will the proposed standard address the need it was developed to address?

Irish Auditing and Accounting Supervisory Authority

One of the IAASB’s objectives was to issue a concise standard. Given the volume of materials issued (the draft standard, supplemental guidance for authority, supplemental guidance for auditor reporting and glossary of terms) it appears that this objective has not been met. This highlights our concern regarding whether a separate standard for LCE is appropriate.

Specific Questions\Section 4D – Overall Design and Structure of ED-ISA for LCE\Question 8 - Views on the overall design and structure of ED-ISA for LCE\3) Areas Identified for Improvement\Drafting & CUSP Comments

Files\3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

However, we suggest that the IAASB considers the following as it finalises the proposed standard: In drafting of the proposed standard, the IAASB used the CUSP Drafting Principles and Guidelines. The proposed standard should be updated to reflect any changes made in a more advanced draft or the final CUSP Drafting Principles and Guidelines.

Paragraph 2.1.3 of the draft CUSP Drafting Principles and Guidelines presented to the IAASB at its April 2021 meeting states that: “Sentences express just one idea. Sentences longer than a line and a half may be too lengthy.” In certain instances, sentences and paragraphs contained in the proposed standard are taken verbatim from the ISAs, which themselves are considered to have unnecessarily long and complex sentences. It is suggested that the IAASB considers making these sentences and paragraphs shorter and less complex, without losing the meaning of the requirement in the ISAs. Please refer to comments to questions 9-10 for detailed responses in this regard.

Files\4. National Auditing Standard Setters

Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)

While we agree with combining the requirements of the ISAs to the extent they can be combined (e.g., combining risk assessment procedures or responses to risk from different standards from the ISAs), we are concerned about the application of the CUSP principles to the LCE standard without having done so on a retroactive basis for the ISAs. When writing our German LCE standard, we discovered that seeking to simplify the wording of existing requirements in the ISAs leads to confusion because sometimes changes in wording can be construed to mean that less or more needs to be done than required by the original wording – sometimes the simplified wording is just more ambiguous than the original. For these reasons, in the German LCE standard, we took the view that if a requirement applies without exception to an LCE audit, then the wording in the existing ISAs should be used to prevent confusion. We therefore recommend that the IAASB revert to the original ISA wording in its LCE standard to the extent that an entire requirement from the ISAs applies. We recognize that this may increase the length of the LCE standard slightly, but this is a small price to pay for clarity.

Files\5. Accounting Firms

ETY sas

We would like to suggest that the IAASB consider the following as they finalise the proposed standard:

In the drafting of the proposed standard, the IAASB used the draft Complexity, Understandability, Scalability and Proportionality (CUSP), Drafting Principles and Guidelines. The proposed standard should be updated to reflect any changes made in a more advanced draft or the final CUSP Drafting Principles and Guidelines.

Paragraph 2.1.3 of the draft CUSP Drafting Principles and Guidelines presented to the IAASB at its April 2021 Meeting states that “Sentences express just one idea. Sentences longer than a line and a half may be too lengthy.” In certain instances, I believe that sentences contained in the requirements of the proposed standard are unnecessarily long and complex. Please refer to my comments to questions 9-10 for detailed responses in this regard.

This been said, it is noted that, in certain instances, sentences and paragraphs contained in the proposed standard are taken word-for-word from the ISAs, which themselves are considered unnecessarily long and complex. It is suggested that the IAASB consider making these sentences and paragraphs shorter and less complex in the proposed standard without losing the meaning of the requirement in the ISAs.

Mazars

We note however, that some of the requirements still include several “sub-bullets”. If possible, IAASB could reconsider the use of several levels of bullets.

Moore Global Network Limited

The new standard should make good use of simple language, bullet points, diagrams (e.g. flowcharts) and should focus primarily on “what/how”. “Why” could be addressed in application guidance or other accompanying material.

The standard should use very simple and easily understandable terms to articulate the objectives that should or could be achieved in an audit where there is low complexity.

PriceWaterhouseCoopers

However, as described in our responses to the preceding questions, limited re-drafting and a changed presentation of, largely the same, ISA requirements is not, in our view, going to meet stakeholder expectations. If the goal was simply to present the ISAs in a more understandable way, that should be addressed through the CUSP project and revisions to the ISAs themselves. We believe stakeholders are seeking more substantive differences.

Files\7. Professional Accountancy and Other Professional Organizations

CPA Australia

We question whether the exercise conducted in assessing the wording of current ISA requirements with this lens for the LCE standard, could be utilised for revisions to the ISAs. Adoption of the LCE wording in the ISAs if applicable to complex entities, would be a way of minimising divergent wording and would meet some of the objectives of the CUSP project. It would also serve to allay negative perception that the LCE audits are of a lesser standard than an audit under the ISAs.

With respect to the overall design and structure, we consider the numbering could be confusing for users. It could be simplified.

Institute for the Accountancy Profession in Sweden (FAR)

We note however, that some of the requirements still include several “sub-bullets”. If possible, IAASB should reconsider the use of several levels of bullets.

Institute of Chartered Accountants in England and Wales

The overall design and structure of the standard is generally good. However, we note in our answer to Question 7 above, our belief that the drafting principles have not been properly applied.

Ordre National des Experts Comptables et des Comptables Agréés du Burkina Faso (ONECCA-BF)

We would like to suggest that the IAASB consider the following as they finalise the proposed standard:

In the drafting of the proposed standard, the IAASB used the draft Complexity, Understandability, Scalability and Proportionality (CUSP), Drafting Principles and Guidelines. The proposed standard should be updated to reflect any changes made in a more advanced draft or the final CUSP Drafting Principles and Guidelines.

Paragraph 2.1.3 of the draft CUSP Drafting Principles and Guidelines presented to the IAASB at its April 2021 Meeting states that “Sentences express just one idea. Sentences longer than a line and a half may be too lengthy.” In certain instances, I believe that sentences contained in the requirements of the proposed standard are unnecessarily long and complex. Please refer to my comments to questions 9-10 for detailed responses in this regard.

This been said, it is noted that, in certain instances, sentences and paragraphs contained in the proposed standard are taken word-for-word from the ISAs, which themselves are considered unnecessarily long and complex. It is suggested that the IAASB consider making these sentences and paragraphs shorter and less complex in the proposed standard without losing the meaning of the requirement in the ISAs.

Pan-African Federation of Accountants (PAFA)

We would like to suggest that the IAASB consider the following as they finalise the proposed standard:
In the drafting of the proposed standard, the IAASB used the draft Complexity, Understandability, Scalability and Proportionality (CUSP), Drafting Principles and Guidelines. The proposed standard should be updated to reflect any changes made in a more advanced draft or the final CUSP Drafting Principles and Guidelines. Paragraph 2.1.3 of the draft CUSP Drafting Principles and Guidelines presented to the IAASB at its April 2021 Meeting states that “Sentences express just one idea. Sentences longer than a line and a half may be too lengthy.” In certain instances, I believe that sentences contained in the requirements of the proposed standard are unnecessarily long and complex. Please refer to my comments to questions 9-10 for detailed responses in this regard.

This been said, it is noted that, in certain instances, sentences and paragraphs contained in the proposed standard are taken word-for-word from the ISAs, which themselves are considered unnecessarily long and complex. It is suggested that the IAASB consider making these sentences and paragraphs shorter and less complex in the proposed standard without losing the meaning of the requirement in the ISAs.

Saudi organization for Chartered and Professional Accountants

On the other hand, we could here express a concern pertaining to the approach utilized to combine some requirements from the ISAs in order to make them more concise because it sometimes seems to complicate the flow of the requirements which could eventually create some challenges in the translation process. This concern is only raised to attract attention to the possible unintended outcome of such an approach.

Files\9. Individuals and Others

Vera Massarygina

It seems better not to use letter «A» while numbering paragraphs of the section.

Specific Questions\Section 4D – Overall Design and Structure of ED-ISA for LCE\Question 8 - Views on the overall design and structure of ED-ISA for LCE\3) Areas Identified for Improvement\ Electronic Solution (Will be Combined with Comments Elsewhere)

Files\7. Professional Accountancy and Other Professional Organizations Accountancy Europe

As noted above, the clarity and ease of navigation could be enhanced with the inclusion of the ISA for LCE in the eIS platform along with visual elements. The digital version would contribute to the scalability of the standard making it easy to identify conditional requirements.

The eIS is a significant first step towards facilitating the accessibility and the understanding of the ISAs. The ISA for LCE should also be included in the eIS platform. For the ease of navigation, the content of the platform could be enhanced by visuals, graphics, flowcharts, etc.

European Federation of Accountants and Auditors for SMEs

We also urge the Board and IFAC to look at ways of placing the standard and guidance onto a common digital platform such that users can easily find the relevant requirements and supporting guidance. e-International Standards (eIS) may provide this platform.

Specific Questions\Section 4D – Overall Design and Structure of ED-ISA for LCE\Question 8 - Views on the overall design and structure of ED-ISA for LCE\3) Areas Identified for Improvement\Ordering Suggestions

Files\4. National Auditing Standard Setters Institute of Chartered Accountants of India

However, in our view, the flow of “Part 2- Audit evidence and documentation” is not proper. This part may be shifted to later stage

Files\5. Accounting Firms

Ernst & Young Global Limited

One comment we have on the overall flow of the ED-ISA for LCE is that we suggest that the Acceptance/Continuance of an Audit Engagement section (part 4) of the standard come before the Engagement Quality Management (part 3) section of the standard because if the auditor does not accept an audit engagement, then there are no further procedures performed.

Files\6. Public Sector Organizations

Swedish National Audit Office

We agree with the structure. One suggestion is to place the Engagement Quality Management section after Acceptance and continuation.

Files\8. Academics

Brunel University London

The order of the standard is adequate and fit for purpose. However, an alternative order could also be considered as follows:

- Part 1 – Fundamental Concepts and General Principles
- Part 2 – Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements
- Part 3 – Planning
- Part 4 – Risk Identification and Assessment
- Part 5 – Responding to Assessed Risks of Material Misstatement
- Part 6 – Concluding
- Part 7 – Forming an Opinion and Reporting*
- Part 8 – Audit Evidence and Documentation (continuous)
- Part 9 – Engagement Quality Management (continuous)

Specific Questions\Section 4D – Overall Design and Structure of ED-ISA for LCE\Question 8 - Views on the overall design and structure of ED-ISA for LCE\3 Areas Identified for Improvement\Other Comments

Files\3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

Include the explanation provided in paragraph 101 of the Explanatory Memorandum, for users to understand that the use of the proposed standard is not of a lesser nature than the ISAs.

Files\4. National Auditing Standard Setters

Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts-Comptables

We have no concern with the overall design and structure of ED-ISA for LCE. We have only one formal remark on the flow chart page 27. We propose to mention that parts 1 to 3 are “applicable to all entities” and that parts 4 to 9 are “specific to each engagement”. This would make the chart more explicit.

Federación Argentina de Consejos Profesionales de Cs. Económicas

The design and structure that follow the flow of an audit is considered a highly favorable finding. However, the express recognition that it is not anticipated that the ED-ISA for LCE will necessarily reduce the basic procedures could make the auditors doubt about the supposed advantages of adopting this pronouncement that, in addition, adds important risks when it comes to define whether or not your client is a less complex entity, or if, as a consequence of encountering complexities during the audit, you should rethink the procedures carried out up to that point when finding evidence that prevents the entity from being considered a less complex entity

Malaysian Institute of Accountants

While, the design and structure are appropriate, some discrete section on dealing with risk assessments and the auditor's responses, fraud and going concern (these are major sections) may be helpful in term of navigation or reference.

Files\5. Accounting Firms

Azets Audit Services

The overall design and structure are appropriate. There is opportunity for further simplification, but the audit workflow driven structure makes sense and helps with the flow of understanding standalone standard.

KPMG IFRG Limited

Whilst we are generally supportive of the linear approach taken to the development of the LCE ISA, with requirements placed throughout the proposed standard, in line with the overall audit flow, rather than being grouped in topic-specific sections, we highlight that in certain instances this may not drive auditors to consider topics such as fraud, going concern, related parties etc. holistically, and ensure that responses overall are appropriate. Accordingly, we suggest that the IAASB consider whether such areas could be better linked together, without changing the overall structure, e.g. by colour-coding such requirements to demonstrate that they form part of a cohesive topic area, and also showing how certain related requirements across different topic areas link to one another.

We also refer to our recommendations set out in our response to Question 3c) that the IAASB further restrict the authority of the standard by explicit identification of areas where there are matters that may give rise to significant complexity in the audit as additional potential sources of complexity within the authority section of the standard. Furthermore, we suggest that the IAASB scale the LCE ISA requirements accordingly, by removing requirements specifically designed to address complexity in relation to such matters. If the IAASB implements these recommendations, this would alleviate the issue of certain significant topics, e.g. fraud, being interspersed throughout the LCE ISA.

Files\6. Public Sector Organizations

Audit Scotland

The drafting principles have been met but those at paragraphs 100 and 101 mean that there was no scope for any more holistic consideration of how to meet the objectives of the ISAs in drafting the ISA for LCEs in a way that is more proportionate and able to meet the nature and circumstances that would be typical of an audit of a less complex entity.

Files\7. Professional Accountancy and Other Professional Organizations

Association of Practising Accountants

The structure of the standard is easy to follow and is generally logical, however the language could still be improved. A lot of the guidance has been removed which will need to be developed. The complexity of the mapping documents means that they are not that easy to follow when trying to get from the LCE to the ISA's. Generally, it should be written in a more positive way with less risk of ambiguity and interpretation.

Nordic Federation of Public Accountants

However, referring to our response to question 7 a), we are not convinced that the objectives stated in paragraph 100-101 in the EM have been achieved. One of the main concerns raised by the respondents to the DP was related to the used language in the ISAs. In our view, this specific concern has been addressed in the proposed standard. However, in the DP other concerns were also raised that were as important and urgent to address, especially concerns around extensive and onerous documentation requirements and requirements that result in certain procedures being performed solely to comply with ISA requirements with not additional assurance or measurable increase in audit quality. It is our view that more needs to be done to address these two areas of concerns.

Polish Chamber of Statutory Auditors (PIBR)

Add new, innovative solutions that take into account the development of IT technology, including conducting tests using the representative method. Testing as the basis.

South African Institute of Chartered Accountants (2)

Our view is that the distinction between the LCE standard and the main ISAs will become clearer over time as more changes addressing complex environments are incorporated into the ISAs. However, as the standard is drafted at the moment, there are no key differences between the LCE standard and the ISAs.

Files\8. Academics

Hunter College Graduate Program

The graphics are an effective way of providing information to the reader, e.g. Sections 9.2 and 9.3, but the design can be more effective. For Section 9.2's graphic there is too much information. We would suggest making it more than one line and adding more structure. For section 9.3 we would suggest adding the specific sections of the preface, the authority, parts 1-3, parts 4-9, and the appendix. For example, the box on the right of "Parts 1-3" would discuss parts 1, 2, and 3 individually and not just as one unit.

Specific Questions\Section 4D – Overall Design and Structure of ED-ISA for LCE\Question 8 - Views on the overall design and structure of ED-ISA for LCE\3 Areas Identified for Improvement\Structural Suggestions

Files\4. National Auditing Standard Setters

Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)

We do not believe that the organization, structure or numbering of the IAASB LCE standard is sufficiently conducive to navigation or the design of simple audit methodologies for the audits of financial statements of LCEs. For the German LCE standard we used the following structure in separate standards that is much more closely aligned to the audit process:

- AuSLCE 1 Scope and Preface (This standard includes a description of audits, the overall objectives of the auditor, requirements for the scope of the standard, and an authoritative appendix with the definitions)
- AuSLCE 2 Overarching Requirements (This standard includes all requirements that apply throughout the audit are therefore integrated into the audit process, including overarching communication and documentation requirements)
- AuSLCE 3 Preconditions of an Audit, Audit Planning and Preparatory Activities (This standard includes engagement acceptance, planning and the determination of materiality)

AuSLCE 4 Identification and Assessment of the Risks of Material Misstatements (This standard includes all requirements related to understanding the entity and its environment, risk identification and risk assessment, and the related documentation; an appendix is included with material on assertions and inherent risk factors)

AuSLCE 5 Responses to Assessed Risks (This standard includes all requirements related to responses to assessed risks, including dealing with misstatements, and related documentation)

AuSLCE 6 Concluding Auditing Procedures, Communication with Those Charged with Governance and Obtaining Written Representations (This standard includes the noted matters)

AuSLCE 7 Forming an Opinion, Auditor's Report and Archiving (This standard includes the noted matters)

The German LCE standards (without the German specialties, such as the assurance on the management report) comprise 7 standards compared to 9 sections for the IAASB LCE standard. Having 7 separate standards based upon the actual audit process increases clarity and eases the sequential numbering of paragraphs: the numbering system for the IAASB LCE standard is very cumbersome for navigation and referencing. Furthermore, by having separate standards it may be easier to add additional conditional modules as needed (e.g., if the entity has an internal auditor or the audit is a group audit).

Files\5. Accounting Firms

Famme & Co. Professional Corporation

If a standalone standard is ultimately approved, we feel it could be made more useful if certain elements common to all sections were removed and given their own sections. While this is contrary to the work-flow design noted above, these requirements would be more likely to be adequately addressed if they were in their own sections. Having specific elements of each scattered throughout virtually all other sections of the standard increases the risk of a requirement being missed. Specifically, we feel that documentation requirements, communication requirements, fraud considerations, going concern and use of estimates are all topics that could more efficiently be handled in their own sections. We also find it redundant to address certain topics in planning and performance, and then repeat and expand on these as 7.4 Specific Focus Areas.

KPMG IFRG Limited

Whilst we are generally supportive of the linear approach taken to the development of the LCE ISA, with requirements placed throughout the proposed standard, in line with the overall audit flow, rather than being grouped in topic-specific sections, we highlight that in certain instances this may not drive auditors to consider topics such as fraud, going concern, related parties etc. holistically, and ensure that responses overall are appropriate. Accordingly, we suggest that the IAASB consider whether such areas could be better linked together, without changing the overall structure, e.g. by colour-coding such requirements to demonstrate that they form part of a cohesive topic area, and also showing how certain related requirements across different topic areas link to one another.

MHA Monahans

Specific communication requirements - All communication requirements to management/those charged with governance should be within one section (similar to ISA 260) rather than spread out amongst the standard.

Price Bailey LLP

The structure and flow of the standard is an improvement on the existing ISA's however some areas could still be improved and made clearer and simpler. A lot of the guidance has been removed from the standard which is predominantly why the length has reduced significantly. Some of the guidance is needed and will need to be developed.

PriceWaterhouseCoopers

Similarly, in conducting the illustrative simplification exercise described in our response to question 7(a), we noted that the separation of documentation requirements across Parts of the standard results in elements of duplication. We suggest consideration be given to whether all documentation requirements would be better consolidated into a single Part at the back of the standard, which would allow for streamlining of those requirements, as illustrated in appendix 2. We suggest such an approach may indirectly help to address

stakeholders concerns about the documentation burden associated with audits of LCEs by providing a more holistic picture and understanding of what needs to be documented. Appropriate cross-references could be incorporated into relevant Parts for key phases of the audit to link to the documentation requirements.

While supportive of the structure, we note that with respect to specific subject matters that today are addressed by individual ISAs (such as Going Concern, Fraud, Laws and Regulations and Related Parties), an element of holistic understanding of the interconnectivity of individual requirements may be lost. It might be useful to include an appendix that consolidates and “maps” where all the requirements relating to specific topics can be located across the various Parts of the standard to aid this holistic understanding. The same can also be said for providing a roadmap to requirements addressing significant risks. Alternatively, these may be developed as supporting non-authoritative guidance material.

Files\7. Professional Accountancy and Other Professional Organizations

Chartered Accountants Ireland

In addition, it would be useful if certain requirements were compiled within an appendix, for example communication with Those Charged with Governance.

CPA Australia

We suggest that all paragraphs in the LCE Standard should be numbered, including the EEM, so that they can be readily referenced in other publications and by national standard-setters. We further suggest that the numbering system is aligned with the existing standards, which we note use sequential whole numbers for each paragraph, rather than applying a different numbering convention. This would be helpful for some jurisdictions, such as Australia, where decimal points are used for any additional Australian specific paragraphs inserted to keep the remaining paragraph numbering aligned with the IAASB standards. We also suggest that consistent prefixes be used to align with the other IAASB standards. The LCE Standard has used the prefix A to mean authority while for other standards it is used to mean application material. Whereas the EEM has no alpha-numeric numbering, which becomes problematic if the formatting of EEM in shaded boxes cannot be used in some jurisdictions, where for example standards are legislative instruments. These EEM paragraphs need a prefix to indicate they are not requirements, whether that be “A”, if EEM is seen as equivalent to application material, or perhaps a new prefix E. As stated in earlier comments, if the LCE is presented using a digital tool, the EEM could be integrated in the same way as the Application Material is presented in the ISAs (see IAASB e-Handbook).

Specific Questions\Section 4D – Overall Design and Structure of ED-ISA for LCE\Question 8 - Views on the overall design and structure of ED-ISA for LCE\6 Reference to Earlier Comments Only

Files\4. National Auditing Standard Setters

Hong Kong Institute of Certified Public Accountants

Please refer to our responses to Questions 1 and 7.

Files\5. Accounting Firms

SRA

We support the overall design and structure of ED ISA for LCE, taking into account the comments under 1 (a) through 1 (c).