

Supplement 2-17 to Agenda Item 6

Audits of Less Complex Entities – ED-ISA for LCE – Q-17(a)- In your view, would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion and for which the proposed standard has been developed? If not, why not. Please structure your comments to this question as follows: Whether the proposed standard can, and will, be used in your jurisdiction.

Section 4F – Other Matters\Question 17 - Would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion\Question 17(a) Whether the proposed standard can, and will, be used in your jurisdiction\1) Yes or Likely

3. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority

The proposed standard can be used in our jurisdiction.

4. National Auditing Standard Setters

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

Yes, we confirm that the proposed standard can and will be used in our jurisdiction.

Hong Kong Institute of Certified Public Accountants

Stakeholders in Hong Kong welcome the IAASB's initiative to develop a separate standard on LCE audits.

We consider that the proposed standard can and will be used in Hong Kong, subject to any regulatory or legal restrictions applicable to specific entities.

Institute of Chartered Accountants of India

We are planning to adopt the proposed standard for use in India. However, while adopting, we will make necessary changes to the proposed standard that may be required to align the proposed standard with Indian legal & regulatory requirements and the auditing practices prevalent in India.

Malaysian Institute of Accountants

We believe that the proposed standard, with modifications, can be applied in our jurisdiction with guidance from MIA and also after consultation with other regulatory bodies.

5. Accounting Firms

ETY sas

Yes, the proposed standard will be used in the jurisdiction after adoption by Burkina Faso PAO as well as the Organization for the Harmonization of Business Law in Africa (OHADA) region (17) countries.

Famme & Co. Professional Corporation

We understand that the proposed standard will be adopted in Canada, with minimal amendments.

MHA Monahans

We expect the proposed standard can, and will, be used in our jurisdiction.

PKF International Limited

In our view, the proposed standard will be used in the majority of jurisdictions in which our member firms operate.

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7. Professional Accountancy and Other Professional Organizations

ASEAN Federation of Accountants

Many of our respondents who represent the different stakeholders in ASEAN believe that their respective jurisdictions will consider adopting and implementing the standard. Some of the pros and cons, and considerations highlighted by our respondents were:

Introduction of the standard may present an opportunity for firms to reconsider their audit methodology. Larger firms with large and small clients may also consider performing audits of LCEs using this standard as a training opportunity for their staff prior to audits of larger entities under ISAs.

Important for the Board to consider customised and tailored communication package for different group of stakeholders, to ensure consistent communication, continue building awareness, and ensure wider stakeholders' acceptance. The communication needs to focus on among others:

Explaining key differences and consequences in practice between the proposed standard and audits for LCEs under relevant parts of the ISAs.

Addressing users' perception that the standard will result in audits of lesser quality compared to audits under ISAs.

Botswana Institute of Chartered Accountants

The proposed standard is sufficient for application in Botswana given the size and nature of entities in the country. The standard can therefore be applied locally and will be applied as the country adopts IFAC standards setting body standards.

Chamber of Auditors of the Czech Republic

We expect that CA CR as a regulatory body will encourage the use of ISA for LCE and incorporate it to the relevant legislation. So far there is no standard for LCE in the Czech Republic and due to the existing thresholds for statutory audits (which are lower compared to most other EU states) the majority of audits in the Czech Republic are audits of LCE. Therefore there are lot of SMPs or sole practitioners who would benefit from such standard.

Eurasian Group of Accountants and Auditors

Overall, we believe that ISA for LCE will meet the needs of the select group of users and other stakeholders. This separate group of users includes owners of small and non-complex entities that are not required to conduct a statutory audit of financial statements. We believe this standard will be useful for small audit firms that find it overly complex to apply the requirements of the full-scope ISAs to audits of less complex entities.

Federation of Accounting Professions of Thailand

Yes.

Finnish Association of Authorised Public Accountants

From a Finnish point of view, ISA for LCE is considered an international standard on auditing, just like the current ISAs, and its application is therefore allowed by the Finnish Auditing Act. In our discussions with the legislator, we did not recognize any need to amend the Auditing Act. Therefore, ISA for LCE could be applied immediately after the IAASB has approved it.

We do not anticipate any suggestions to further limit the use of the standard nationally. The standard would therefore be widely used in Finland.

Indonesian Committee on Public Accountant Profession (KPAP)

KPAP believes that the proposed standard can and will be used in our jurisdiction.

Institute for the Accountancy Profession in Sweden (FAR)

The standard can and will probably be used in Sweden, subject to approval by the legislator and the Swedish Inspectorate of Auditors. Within the audit profession the proposed standard is welcomed.

Institute of Certified Public Accountants of Kenya

Yes, the proposed standard will be applicable in our jurisdiction.

Institute of Certified Public Accountants of Rwanda

The proposed standard will be adopted in Rwanda.

Institute of Certified Public Accountants of Uganda

Overall, we believe that ED-ISA for LCE would meet the needs of users and other stakeholders. The proposed standard has been widely welcomed in Uganda and we believe that it will be applied once it becomes effective. The standard will be particularly useful to smaller audit practitioners that find the current set of ISAs too large and cumbersome. As noted in 1 (a), majority of the audit clients in our jurisdiction qualify for classification as LCEs and as such, many auditors will have to use this standard for such audit engagements.

Institute of Chartered Accountants of Ghana

We believe it will. Standard setting bodies are already gearing up for this. Apart from public interest entities as well as large company, SMEs dominate entities in Ghana.

Institute of Chartered Accountants of Jamaica

Yes, it will be used.

Instituto dos Auditores Independentes do Brasil

Yes.

Instituto Salvadoreño de Contadores Públicos (ISCP)

Yes, the present BFC-ISA proposal for LCE will be adopted, for its use in our jurisdiction. Taking into consideration that, in El Salvador, according to data from the year 2020, from the base of the Directory of companies called "Business Solvency Registry 2020", from 22,134 companies that processed solvency, 5% are "Large companies"; 4% are "Medium-sized companies", 24% are "Small companies" and 67% are "Micro companies", determining that the vast majority of entities are classified as "Micro, Small and Medium Entities", making a total of 95% of the companies corresponding to that classification, which carry out activities and transactions that can be considered "less complex"; In addition, the adoption of this Standard assumes a more simplified application, however, the responsibilities of the auditor will continue to be the same; issue an opinion on the reasonableness of financial statements.

Korean Institute of Certified Public Accountants

We believe that the proposed standard can and will be used in Korea.

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

Yes, the proposed standard will be used in the jurisdiction after adoption by Burkina Faso PAO as well as the Organization for the Harmonization of Business Law in Africa (OHADA) region (17) countries.

Pan-African Federation of Accountants (PAFA)

Yes, the standard can, and will be used in a majority of the African jurisdictions, including the countries of the Organization for the Harmonization of Business Law in Africa (OHADA) region after adoption by that regulator.

Polish Chamber of Statutory Auditors Warsaw (Regional Branch)

Yes.

Self-Regulatory Organization of Auditors Association (SRO AAS)

We expect that this standard will be applied in Russia and in other Russian-speaking countries.

Society of Certified Accountants and Auditors of Kosovo (SCAAK)

We believe that Kosovo can, and will use the standard although we as professional organization need to promote this standard with our regulator and Ministry of Finance.

South African Institute of Professional Accountants

We believe that the auditing sector and organisations in South Africa can and will use the standard. It will greatly benefit organisations and improve efficiency.

8. Academics

Brunel University London

We believe that this standard has the potential to be used effectively in the UK.

Further guidelines and standards by any jurisdiction may not follow the 'Think Small First' approach or they may be in conflict with ED-ISA for LCE's objectives.

9. Individuals and Others

Vera Massarygina

The proposed standard can be used in Russia.

Section 4F – Other Matters\Question 17 - Would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion\Question 17(a) Whether the proposed standard can, and will, be used in your jurisdiction\2) Yes subject to Comments

3. Regulators and Audit Oversight Authorities

Finance Professions Supervisory Centre Indonesia

This standard is likely to be used in our jurisdiction and meets all aspects of stakeholders, as in Indonesia, it is estimated that 90% of businesses are small and medium-sized entities. However, before this standard is established, it is necessary to consider a number of points contained in our response to 1.c (any other matters).

5. Accounting Firms

BDO International

As a global organization operating in many different jurisdictions, we are unable to provide a definitive response to this question. In some jurisdictions, the proposed LCE standard will be adopted, but in other jurisdictions, the proposed LCE standard will be prohibited by regulators, standard setters and/or certain BDO firms.

However, we can say that if the proposed LCE standard is not revised as discussed previously regarding estimates, group audits and transitioning, a greater number of BDO firms will not be able to adopt the proposed LCE standard as currently drafted.

Crowe Global

The proposed standard meets the needs of users and other stakeholders. In making this statement, we believe that the IAASB would enhance the standard by allowing some of the additional flexibility that we have commented upon in this response whereby on relevant occasions ISA requirements can be applied.

MNP LLP

Overall, we believe that ED-ISA for LCE would meet the needs of users and other stakeholders. We believe that this standard will be particularly useful to smaller audit practitioners that find the current set of ISAs too cumbersome. We do, however, believe that some changes should be made (as described throughout this response) in order to facilitate its broad usage for audit practitioners and to reduce the chance of misinforming audit report users.

RSM International

Yes, we consider that the proposed standard can be used by many firms in our network. A global LCE standard is needed to ensure consistency of approach across jurisdictions. The risk with not having a global standard is that national standard setters move away from ISAs for these entities and issue their own LCE standard which would lead to inconsistencies and dilute audit quality.

However, we have a number of reservations about the proposed standard which we set out in our response to parts (b) and (c) below.

6. Public Sector Organizations

Auditor-General of New Zealand

Subject to the matters raised in our submission, we can, and would like to, use the proposed standard for public sector audits in New Zealand. We audit the financial statements of about 3400 entities every year. Our assessment is that the proposed standard could be applied to the audits of about 75% of those entities.

7. Professional Accountancy and Other Professional Organizations

Institute of Chartered Accountants of Pakistan

We support the IAASB in developing this ED-ISA for LCE. We have noted few significant concerns on the standalone approach of the ISA for LCE. However, we are optimistic that auditors will use the ISA for LCE in our jurisdiction.

Instituto Mexicano de Contadores Públicos (IMCP)

We definitely believe that the proposed standard will have wide application in Mexico, precisely because of the fact that, due to its composition, a significant part of the entities in our country could qualify as LCE for purposes of applying the proposed standard and also due to the large number of firms auditing organizations that can be classified as organizations with a small structure, which will undoubtedly welcome the proposed standard. However, we think that the intense and adequate use of the ISA for LCE will largely depend on an adequate dissemination and training programs by the organizations that gather the organized profession in our country.

Section 4F – Other Matters\Question 17 - Would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion\Question 17(a) Whether the proposed standard can, and will, be used in your jurisdiction\3) Unsure or No with Comments\Already Have Local Solution

4. National Auditing Standard Setters

Federación Argentina de Consejos Profesionales de Cs. Económicas

This standard could be used in our country, although we consider that the probabilities of its use are low, given that there is a national auditing standard that is widely used by auditors and the ISAs, which are used by company auditors. that apply IFRS on a mandatory basis and in those companies that voluntarily adopt ISAs.

6. Public Sector Organizations

Government Accountability Office (USA)

Our jurisdiction has multiple standard setters which provide auditing standards for multiple types and sizes of entities, so we do not plan to implement the ED-ISA for LCE in our jurisdiction.

Section 4F – Other Matters\Question 17 - Would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion\Question 17(a) Whether the proposed standard can, and will, be used in your jurisdiction\3) Unsure or No with Comments\Authority Concerns

4. National Auditing Standard Setters

Royal Netherlands Institute of Chartered Accountants (NBA)

See Authority of the standard.

5. Accounting Firms

Duncan & Toplis Limited

We do not see any fundamental reasons why the LCE-SA cannot be adopted into our jurisdiction. However, any introduction would need to be done with clear instructions regarding the ‘authority’ detailing which entities can adopt the standard. There also would need to be a reasonable approach to disagreements over the ability to use the LCE-Isa for a given entity, given that there will be some uncertainty regarding certain entities. Use of the standard would need to be promoted for relevant entities.

6. Public Sector Organizations

Australian Council of Auditors General

Limitations with applying the proposed standard

ACAG has concerns that offices may be unable to apply the ED ISA - LCE based on certain specific prohibitions within it. The ED ISA - LCE states that it cannot be applied to audits: where entities have public interest characteristics.

It can be argued that jurisdictional audit office mandates are legislated only to audit in the public interest.

Clearly defining what a public interest characteristic is for the purpose of the standard will be important. A consequence of the term ‘public interest characteristics’ not being clearly defined is the automatic exclusion of public sector entities.

of groups.

Whole of government accounts are prepared in each ACAG jurisdiction and represent a group audit. This will immediately exclude the application to the majority of state and territory public sector entities.

There are other examples of group audits such as within health sector entities, and local governments that have consolidated controlled entities. ACAG has scenarios where an audit of a public sector entity under the

proposed ED ISA - LCE would be consolidated into a reporting entity audited under the full suite of Australian Auditing Standards (ASA). Such an audit may not satisfy the ASA group audit requirements, where additional complexity occurs after determining an audit under the LCE will be applied. Most ACAG offices will have LCE within their audit portfolio. However, public sector entities are inherently subject to once-off complex transactions, often with little notice. Significant audit effort could be expended applying the ED LCE only to determine at a late stage that additional ASAs require application. Therefore, a combined summarised and simplified standard on audits of less complex entities (LCEs) may be of limited application for ACAG offices.

Notwithstanding ACAG's concerns, there may be merit for small audit firms or sole audit practitioners who provide services to the not-for-profit, charitable, sporting associations or similar sectors to adopt the LCE standard as their framework.

7. Professional Accountancy and Other Professional Organizations

Chartered Accountants Ireland

As set out in our response to question 22, we consider that the proposed standard would not be widely used in our jurisdiction if group audits are excluded. We also have concerns about determining when an audit is complex as set out in our response to question 3 above.

9. Individuals and Others

Rodoula Roussou

The accounting law classifies entities into 4 categories (large, medium, small, and very small) based on quantitative characteristics (total assets, turnover, and the number of employees). All entities other than PIEs can choose for their Financial Reporting the Greece Accounting Standard (GAS) or IFRS. The vast majority of the entities that use GAS could be classified as LCE especially if the "top-up" was permitted. The above could be used in our jurisdiction as indicators to allow using the standard in small and very small entities, that use GAS (which are similar to IFRS but less complex), by default, but should not exclude audit of other entities too, considering that the standard is appropriate to use, based on their complexity.

Section 4F – Other Matters\Question 17 - Would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion\Question 17(a) Whether the proposed standard can, and will, be used in your jurisdiction\3) Unsure or No with Comments\Burdensome - Benefits may not outweigh Effort

4. National Auditing Standard Setters

Canadian Auditing and Assurance Standards Board

Create a two-tier profession if, over time, the profession splits into auditors who perform ISA audits and those who perform audits of LCEs. If this occurs, when transitioning circumstances arise, the entity may be forced to engage a new auditor.

Have an unintended consequence of increasing the need for:

education, training and maintenance for practitioners and firms using both the ISAs and ISA for LCE; and education of other stakeholders who receive and use auditor's reports, to mitigate the risk of an expectation gap and marketplace confusion.

(a) Use of the proposed standard in Canada

We are still analyzing feedback received on our Discussion Paper. We will base our decision to adopt the ISA for LCE on whether we believe it will meet the needs of Canadian stakeholders and serve the Canadian public interest.

In deciding our way forward, we will consider how the IAASB responds to our concerns, and what changes the IAASB proposes to ED-ISA for LCE based on stakeholder feedback.

We will also evaluate whether having a separate standard for audits of LCEs is an effective solution for the Canadian environment, and the public interest implications of having two sets of auditing standards, including the risk that this may:

Indonesian Institute of Certified Public Accountants (IAPI)

The use of the ED-ISA for LCE will be driven by the acceptability of the standard by the local regulatory bodies and other stakeholders such as banks who will use audited FS for their credit analysis, and the perception of the practitioners of the cost efficiency arising from the use of the ED-ISA for LCE.

7. Professional Accountancy and Other Professional Organizations

Institute of Chartered Accountants of Namibia

In the current form, we believe the draft standard would not result in a significant difference in the documentation requirements and the time required to complete the audit. We describe this further in our general comments above.

Malta Institute of Accountants

We do not believe that this Standard will meet the needs of users and other stakeholders due to the concerns mentioned above. Given the size of our country and the 'small' nature of the vast majority of entities audited locally (all entities are audited irrespective of size), there was more expectation around this Standard and there is therefore significant doubt about its take-up.

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

The standard can be used in our jurisdiction if sufficient training and support material will be provided to auditors in local language. Whether it will be used will depend on the expected cost/benefit perceived by the regulator. Here, the efforts of IAASB regarding promotion of the standards will be important.

9. Individuals and Others

ASK KSA Consulting Inc.

As the standard is drafted today, we would not recommend to our clients to adopt it except in very rare cases. The reasons for this are:

In the end, the ED-for ISA for LCE has not changed significantly from the ISAs. There is no difference in conducting an audit of a less complex entity. The challenges faced were not addressed.

It is too difficult for many SMPs to run two streams of audits, they have enough challenge keeping up with the one today.

There is too much uncertainty as to whether one is in or out of the standard in the first place.

Training.

Transition issues.

Only if the standard changed significantly with the requirements substantially changed that it would make sense for a firm to implement ED-ISA for LCE. If an auditor could truly save time, they may want to adopt the proposed standard but as it is written today, it is not worth the effort.

Section 4F – Other Matters\Question 17 - Would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion\Question 17(a) Whether the proposed standard can, and will, be used in your jurisdiction\3) Unsure or No with Comments\Depends on Regulator or Oversight Body

4. National Auditing Standard Setters

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

We will consider this in the near future and prepare a proposal for the implementation in Austria which we have to discuss and agree with our Audit Oversight Authority.

Indonesian Institute of Certified Public Accountants (IAPI)

The use of the ED-ISA for LCE will be driven by the acceptability of the standard by the local regulatory bodies

Royal Netherlands Institute of Chartered Accountants (NBA)

It is uncertain whether the competent authority in the Netherlands will allow the use of the standard for statutory audits. If the standard will not be allowed for statutory audits, the value thereof will be rather limited

5. Accounting Firms

Azets Audit Services

We hope that the FRC provide the UK audit market and LCE stakeholders the opportunity to provide feedback on this question. We consider that this ED, with some drafting amendments, could be used effectively and would be of benefit to audit quality on LCE engagements in many jurisdictions, including the UK.

Deloitte Touche Tohmatsu Limited

Adoption by National Standard Setters, interest/demand by marketplace

The most fundamental question related to the proposed standard is “can, and will, it be used?” We are supportive of a global approach to auditing smaller, less-complex entities – instead of fragmentation in solutions by jurisdiction; however, we recognize that input from national standard setters and regulators regarding expected adoption, as well as users/entity management regarding the perceived value of an audit performed in compliance with the ED-ISA for LCE, will be critical in determining whether the ED-ISA for LCE would be applied by auditors if issued by the IAASB.

If many national standard setters or regulators prohibit the usage of the proposed standard, or even modify the Authority to suit their needs or preferences, the objective of “one global solution” will not be achieved. We recommend that the IAASB conduct additional outreach as necessary, to understand the concerns of these stakeholders and evaluate whether any possible modifications that they are considering could or should be incorporated into the ED-ISA for LCE in order to achieve wider adoption around the world.

Mazars

The standard can and will probably be used in different countries, subject to approval by the legislator. Indeed it depends on whether individual countries’ regulators and standard setters allow. See Overall comments for elements to take into account.

Price Bailey LLP

The regulator in the UK has been very negative in regard to this standard and therefore there is concern as to whether we will be able to implement the proposed standard. We believe there is a need for this standard.

6. Public Sector Organizations

Audit Scotland

We understand that the Financial Reporting Council has indicated a lack of interest in adopting the proposed ISA for LCE in the UK. Although this would not prevent the Auditor General and Accounts Commission from adopting such a standard, we are conscious that UK accounting firms, which are responsible for a third of Scottish public sector audits, may be less interested in using a standard that is not used elsewhere in the UK.

7. Professional Accountancy and Other Professional Organizations

ASSIREVI

Given the Italian business scenario, characterised by numerous SMEs, the proposed ISA for LCE could be widely used. However, due to the requirements for statutory audits, the decision of whether to use the proposed standard in Italy is not within our remit.

Association of Practising Accountants

The regulator in the UK has been quite negative in regard to this standard and therefore there is concern as to whether we will be able to implement it.

Chamber of Financial Auditors of Romania

At the moment, considering all areas of concern expressed in the previous paragraphs, we are uncertain whether the proposed standard will be used efficiently in or jurisdiction. Further discussion with the

regulators, the oversight body and other stakeholders are necessary in order to reach a valid conclusion whether the ISA for LCE can or will be used in Romania.

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

Yes, the majority of our stakeholders in practice suggest that they will use the proposed standard in their jurisdiction. There is also a role for small practitioners and arguably for large practitioners to use ISAs for LCEs to further refine their current LCE methodologies for consistency should they choose to. However, we do note that in some jurisdictions the regulatory community does not support the standard, and this could be detrimental for the standard's adoption.

Confederation of Swedish Enterprise

It can be used in Sweden from a legal point of view (as part of what is generally accepted auditing standards in Sweden). If will be used is not known. This is dependent on the position of the supervisory authority (the Swedish Inspectorate of Auditors). And its position is not known.

Institute of Chartered Accountants of Scotland

We believe that the proposed standard could be used in the UK. However, its use in the UK is ultimately a matter for the FRC to determine.

South African Institute of Chartered Accountants (2)

116. How the LCE standard is used will also be based on what the local regulators decide. To achieve the uniformity that the IAASB desires at a global level, extensive consultation with local regulators will need to be made, including global organisations like IFIAR.

Section 4F – Other Matters\Question 17 - Would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion\Question 17(a) Whether the proposed standard can, and will, be used in your jurisdiction\3) Unsure or No with Comments\Doesn't meet the needs - general

5. Accounting Firms

HLB International

We do not believe ED-ISA for LCE would meet the needs of users and other stakeholders as even if a jurisdiction permits usage of the proposed standard, many auditors will be unlikely to utilize the proposed standard due to the standalone nature of the standard and the punitive transitional provisions to the full ISAs. These challenges could be addressed by instead including ED-ISA for LCE within the ISAs and removing any transitional provisions if an auditor determines the entity is no longer less complex

6. Public Sector Organizations

Audit Scotland

As currently drafted, we see little if any benefit to a firm creating a bespoke audit methodology to apply the ED-ISA for LCEs. We could not recommend that the Auditor General and Accounts Commission adopt the ISA for LCEs as currently drafted.

The proposed standard could be used in the Scottish public sector. As explained in the response to question 7 (a), it is likely that the work of an auditor using the ISA for LCE would not be materially different than if the auditor were using ISAs properly on an audit that met the criteria for using it. On that basis it is unlikely that the standard would be used.

Swedish National Audit Office

In general, there are no main differences between a full scope ISA audit and using LCE, if you are auditing as small less complex entity. Therefore, the answer to this question would be yes. Though we think that there is a point of going back to the original idea of the need of this standard and compare it to the draft. A couple of the initiatives were driven by cost-effectiveness, scalability etcetera. We do not think that this standard has fully fulfilled the objective of being a good solution for auditing less complex entities.

7. Professional Accountancy and Other Professional Organizations

Malta Institute of Accountants

We do not believe that this Standard will meet the needs of users and other stakeholders due to the concerns mentioned above. Given the size of our country and the 'small' nature of the vast majority of entities audited locally (all entities are audited irrespective of size), there was more expectation around this Standard and there is therefore significant doubt about its take-up.

9. Individuals and Others

ASK KSA Consulting Inc.

As the standard is drafted today, we would not recommend to our clients to adopt it except in very rare cases. The reasons for this are:

In the end, the ED-for ISA for LCE has not changed significantly from the ISAs. There is no difference in conducting an audit of a less complex entity. The challenges faced were not addressed.

It is too difficult for many SMPs to run two streams of audits, they have enough challenge keeping up with the one today.

There is too much uncertainty as to whether one is in or out of the standard in the first place.

Training.

Transition issues.

Only if the standard changed significantly with the requirements substantially changed that it would make sense for a firm to implement ED-ISA for LCE. If an auditor could truly save time, they may want to adopt the proposed standard but as it is written today, it is not worth the effort.

Section 4F – Other Matters\Question 17 - Would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion\Question 17(a) Whether the proposed standard can, and will, be used in your jurisdiction\3) Unsure or No with Comments\Other Comments

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

Subject to our concerns expressed in responses to other questions, we consider that the proposed standard could be used to obtain reasonable assurance and express an audit opinion. However, a decision on whether it will be adopted in South Africa is subject to further development of the Standard, local consultation and due process considerations.

Currently, audits for LCEs are already performed using the ISAs, without the more complex requirements that are not applicable in these types of entities. The potential benefit of having an international standard guiding the audit of LCEs is recognised in that there will be consistency in how audit firms adapt the ISAs to less complex environments, and it will be easier to develop, adapt and update audit firm methodologies for less complex auditees. However, the proposed standard in its current form will not achieve this consistency. A concern is that audit clients might expect to see a reduction in audit fees in the application of the proposed standard and it is unclear whether this would be achieved.

Audit firms might not be in a position to determine whether an engagement will be within the scope of the proposed standard at the client acceptance phase of an audit, due to limited knowledge of the audit client and conditions at that stage. It is usually thereafter (client acceptance phase) that audit fees are negotiated with audit clients. Transitioning from the proposed standard to the ISAs would result in an increase in audit fees and may have an impact on the audit client's decision to appoint the audit firm.

Also, the administrative burden in ensuring and documenting the professional judgment involved in the determination of whether the proposed standard is applicable to an engagement currently seems to outweigh the benefit of using this standard in its current form.

Whether or not the proposed standard will be used would depend on the final version of the standard and how the comments received have been dealt with/responded to by the IAASB

4. National Auditing Standard Setters

Canadian Auditing and Assurance Standards Board

In addition to a separate standard for LCE audits, we are considering other possible solutions in Canada, including:

making limited targeted revisions to the Canadian Auditing Standards (CASs) adopted from the ISAs to support stakeholders' need for more effective scalability and proportionality in the CASs; and developing (or supporting other groups in developing) targeted non-authoritative guidance, including tools, to assist practitioners in applying the CASs to audits of LCEs.

These options are not mutually exclusive; the most appropriate way forward for us may be one option or a combination of options.

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

There is a high demand for a separate standard or set of standards for audits of LCEs in Germany. However, whether or not the LCE standard can and will be used in our jurisdiction for other than voluntary audits will depend upon the quality of the LCE standard from our point of view. We have addressed a number of very important issues in our comments above that we believe need to be dealt with adequately by the IAASB for the LCE standard to be fit for purpose in our jurisdiction. In particular, if our comments in response to

Question 3 c) and 4 b) on dealing in at least in a modular manner with circumstances when a matter arises not covered by the LCE standard,

Question 8 in relation to the departures in wording from the ISAs that lead to a different understanding of the requirement than in the ISAs,

Question 9 relating risk identification and assessment in Part 6,

Question 10 on audit reporting in Part 9, and

Our response to the issue of group audits in Section 5 below

are not adequately dealt with, we will likely not see ourselves in a position to adopt the IAASB LCE standard. If, however, these matters are adequately dealt with in the final IAASB LCE standard, we would certainly adopt the standard as a basis for further customization at a national level as contemplated in the LCE standard, and as a result may even lead to the withdrawal our own German LCE standard.

New Zealand Auditing and Assurance Standards Board

The NZAuASB considers that there will be limited use of the proposed standard in New Zealand taking into consideration our views on the key areas where the IAASB may need to further reflect and refine the approach to the proposed standard, as contemplated in our responses to specific questions.

In considering whether the proposed standard can, and will, be used in New Zealand, the NZAuASB assessed the following factors and relevant characteristics of entities our jurisdiction:

There are a large number of private entities that could be characterised as less complex, including group entities;

Relatively high statutory thresholds for audit of non-regulated entities (in both the for-profit and not-for-profit sectors), but with strong traditions of audit as a means of assurance as reflected in many entities' constitutions, trust deeds, etc, and contractual audit requirements such as in funding agreements;

In the public sector, there are large numbers of small and often less complex entities (such as small schools and locally based trusts and boards) that are required by New Zealand law to be audited; and

An auditing profession which is largely competent in performing audits using the full suite of ISAs spanning all sectors, including the public sector.

The NZAuASB notes that in general, large and mid-tier audit firms have established methodologies for ISA-based audits, scalable for the audit of entities of all sizes and complexities, and that these firms are likely to continue applying their audit methodology. They are therefore unlikely to apply the proposed standard. The proposed standard is also unlikely to be applied to audits of regulated entities in New Zealand.

The relatively high statutory threshold for audits of non-regulated entities results in large numbers of smaller sized entities that are not required to be audited. Further, the proposed standard, in its current form, does not include audit requirements relating to ISA-800 series (refer to Question 16 above) and specifically

prohibits group audits from using the proposed standard. These further limits the potential uptake of the proposed standard in New Zealand.

However, the NZAuASB recognises that the proposed standard may be useful to small firms or sole practitioners given the nature of their clients, which are largely less complex in nature. Audit is commonly required contractually to meet funding contract commitments or for historical reasons where founding documents continue to require audit even if there is no statutory requirement to do so. Voluntary uptake of audit is of course in the public interest. We believe the standard will aid audit efficiencies without impairing audit quality. The structure of the proposed standard, which follows the flow of an audit, will make it easier for practitioners to use and the condensed material makes the audit requirements easier to understand, which will enable auditors to focus on the relevant audit requirements to an LCE audit.

The NZAuASB highlights the following key areas which the IAASB should consider to enhance the usability and applicability of the proposed standard, especially in a jurisdiction like New Zealand:

Group audits should not be specifically prohibited from applying the proposed standard but rather based on the QCs of the group (see Question 22).

Transition provisions to full ISAs should be more flexible (see Question 13).

ISA-800 audits should be included in the scope of the proposed standard (see Question 16).

A need to address potential misperception to TCWG and users that the proposed standard reduces work effort, is less than an ISA audit, or may imply a two-tier auditing environment.

The NZAuASB is supportive of the IAASB's introduction of a separate standalone auditing standard for less complex entities at a global level. However, we consider that there will be limited use of the proposed standard in New Zealand, taking into consideration our views on the key areas where the IAASB may need to further reflect and refine the approach to the proposed standard.

In considering whether the proposed standard can, and will, be used in New Zealand, the NZAuASB assessed the following factors and relevant characteristics in our jurisdiction:

There are a large number of private sector entities that would be characterised as less complex, including those which have a group structure;

Relatively high statutory thresholds for the audit of non-regulated entities (in both the for-profit and not-for-profit sectors), but with strong traditions of audit as a means of assurance as reflected in many entities' constitutions, trust deeds, etc., and contractual audit requirements such as in funding agreements;

In the public sector, large numbers of small and often less complex entities (such as small schools and locally based trusts and boards) are required by New Zealand law to be audited; and

An auditing profession (which spans all sectors, including the public sector) which is largely competent in performing audits using the full suite of International Standards on Auditing (ISAs).

5. Accounting Firms

Deloitte Touche Tohmatsu Limited

It is also important to understand the "marketplace" reaction to the proposed separate standard, to gauge the understanding/interest/demand of users and entity management for this different engagement – because without proper education, users may have the incorrect perception that audits of LCEs provide less assurance than an audit performed under the ISAs and entity management may only focus on the assumption that audits of LCEs should "cost less" because "less work is being performed." In addition, entity management and those charged with governance need to understand the proposed standard as they will be involved in assessing whether it is appropriate to use. Specifically, as the audit report will clearly state that the audit is conducted under the proposed standard instead of the ISAs, the engagement letter will also include this fact, which means that the auditor and management/those charged with governance will both need to reach the conclusion that usage of the ED-ISA for LCE is appropriate instead of the ISAs (i.e., the provisions of the Authority have been met, and users/management/those charged with governance have either requested or agreed to usage of the proposed standard).

Grant Thornton International Limited

The ability to use the Proposed Standard, will be a decision that is made by the local jurisdictional regulators. If the proposed standard is not adopted across all jurisdictions, developing and implementing a global methodology for global networks may become problematic and may adversely affect the adoption of the standard by larger firms or networks of firms, especially as many of these networks or firms may have already developed tools and methodologies to scale the application of the ISAs to less complex entities across all jurisdictions. The adoption of the Proposed Standard will also depend on whether the Authority will allow it to be applied to audits of group financial statements and the ability to efficiently transition into and out of the Proposed Standard.

7. Professional Accountancy and Other Professional Organizations

Accountancy Europe

The usability of the standard will be determined by local authorities and market demand. There are already separate standards for SME/LCE in some jurisdictions and these may be replaced by proposed ISA for LCE if it meets relevant needs and expectations.

Belgian Institute of Registered Auditors (IBR-IRE)

If approved at international level and adopted in Belgium, the proposed standard may most likely be used provided that, according to the national legislation, the statutory audit of less complex entities can also be carried out on the basis of this standard. Practice will have to show whether an application of the ISA for LCE to less complex entities effectively means a gain of efficiency for the auditor compared to a correct and sensible application of the ISAs, which indeed will determine whether or not the standard will - to a large extent - be used.

Firms are going to have to be able to apply the ISAs anyway which means that some of the firms will most likely opt for ISAs only instead of applying the standalone standard in certain circumstances.

CPA Australia

It is unlikely that in Australia the LCE standard would be mandated for statutory audits in the short term at least. Mandatory standards are statutory instruments in Australia and need to meet the legislative drafting requirements, as well as satisfy the regulators that LCE audits would be as robust as ISA audits. Nevertheless, the standard may be useful for voluntary audits or audits conducted where only a review is required by legislation. If successfully applied in those circumstances, the Government may feel comfortable for the LCE standard to be mandated for certain audits in the future.

European Federation of Accountants and Auditors for SMEs

We believe EU Member States ('MS') can and will use the standard.

EU regulation generally supersedes national law. However, in the case of the audit of SMEs, most of which we suspect will be eligible to use the standard, individual EU MS can unilaterally decide to adopt the standard. We suspect many will do so. And in those MS that do not adopt the standard into national law, we suspect some auditors will voluntarily use the standard.

Whether the proposed standard meets the needs of auditors, audited entities, users of audited financial statements and other stakeholders.

International Federation of Accountants' Small and Medium Practices Advisory Groups

Several of the jurisdictions represented on the SMPAG seem likely to support adoption of the standard, but many have also indicated that it is too early to make this determination until the standard is finalized and it will ultimately depend on the local regulators. Generally, the group strongly supports the notion of one international standard for audits of financial statements of LCEs rather than different LCE standards in different jurisdictions. As the IAASB is aware, there remains an urgent need for action at the global level to address the significant risk of fragmentation to the international standard setting ecosystem, due to further national and regional initiatives specifically targeted at LCE audits.

Malaysian Institute of Certified Public Accountants

We suggest this proposed ISA for LCE to be issued as an approved guidance rather than a separate standalone standard in Malaysia. We believe some of the smaller practitioners and SMPs will find this guidance useful for their staff to better understand the requirements to perform an effective audit of LCEs.

Nordic Federation of Public Accountants

The usability of the standard will be determined by local authorities and market demand.

In the Nordic region there is a demand for quality audits of (smaller) LCEs, that at the same time can be performed in an effective and efficient manner. A standalone standard that exclusively focuses on these audits is therefore very welcome. However, most likely, more work needs to be done on the draft standard in order to become an attractive alternative to the ISAs. In our view, using a risk-based approach that clearly allows scalability and proportionality based on professional judgment, especially where overly procedural requirements are concerned, is both doable and necessary in order to create a standard that will actually be used in practice.

South African Institute of Chartered Accountants (2)

115. The standard can be used. Currently audits for LCEs are already performed using the ISAs without the more complex requirements that are not applicable in these types of environments. This is also due to software providers that have already tailored audit software to consider the size of the entity, industry etc. The potential benefit of having an international standard guiding the audit of LCEs is still recognized in that there will be more consistency in how different firms adapt the ISAs to less complex environments and it will be easier to develop, adapt and update firm methodologies for less complex auditees. However whether or not the standard will be used will depend on the final version of the standard and how all the comments have been taken into account.

8. Academics

Argentine institute of Auditing Professors

It is important to clarify that in Argentina entities are divided into two large groups, one group of them is obliged to be audited with ISAs and the other group can be audited with ISAs or local auditing standards. Therefore, we understand that the use of ISAs for LCE in our country is not likely. Moreover, in our Republic the ethical standards are less strict and there is no practice of Quality Control Management as in the rest of the world.

9. Individuals and Others

Cristian Munarriz

I think it is unlikely that ISA for LCE will be used in Argentina for statutory audits because most LCE audited by local firms (not part of Forum of Firms which are required to have methodologies based on the ISAs) are audited under local audit standards which are significantly less rigorous than proposed ISA for LCE (for example, they do not require a written audit plan or some basic procedures like journal entries testing) and there is a significant reluctance in the local audit profession to implement stronger audit requirements for SMEs. Nonetheless it may be used for audits of components for group audit purposes (assuming group audits are not excluded from the scope) instead of ISAs.

Section 4F – Other Matters\Question 17 - Would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion\Question 17(a) Whether the proposed standard can, and will, be used in your jurisdiction\3) Unsure or No with Comments\Subject to earlier comments

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

Subject to our concerns expressed in responses to other questions, we consider that the proposed standard could be used to obtain reasonable assurance and express an audit opinion.

4. National Auditing Standard Setters

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

There is a high demand for a separate standard or set of standards for audits of LCEs in Germany. However, whether or not the LCE standard can and will be used in our jurisdiction for other than voluntary audits will depend upon the quality of the LCE standard from our point of view. We have addressed a number of very important issues in our comments above that we believe need to be dealt with adequately by the IAASB for the LCE standard to be fit for purpose in our jurisdiction. In particular, if our comments in response to

Question 3 c) and 4 b) on dealing in at least in a modular manner with circumstances when a matter arises not covered by the LCE standard,

Question 8 in relation to the departures in wording from the ISAs that lead to a different understanding of the requirement than in the ISAs,

Question 9 relating risk identification and assessment in Part 6,

Question 10 on audit reporting in Part 9, and

Our response to the issue of group audits in Section 5 below

are not adequately dealt with, we will likely not see ourselves in a position to adopt the IAASB LCE standard. If, however, these matters are adequately dealt with in the final IAASB LCE standard, we would certainly adopt the standard as a basis for further customization at a national level as contemplated in the LCE standard, and as a result may even lead to the withdrawal our own German LCE standard.

Section 4F – Other Matters\Question 17 - Would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion\Question 17(a) Whether the proposed standard can, and will, be used in your jurisdiction\4) Support Proposal but does not indicate if can or will be used

7. Professional Accountancy and Other Professional Organizations
Chartered Governance and Accountancy Institute in Zimbabwe

We support the use of the proposed standard in Zimbabwe and we are ready to help our members with implementation support.

CPA Ireland

CPA Ireland supports the approval of the proposed standard for use in the Irish jurisdiction and will endeavour to advocate for its approval.

Institute of Certified Public Accountants of Cyprus

We support a global solution for less complex entities to be audited under a simplified, and more relevant, auditing standard and we therefore welcome this advancement. We are concerned that purely subjective qualitative criteria in determining the scope of application would lead to wide inconsistency in the profession and we, accordingly, favour the introduction of quantitative thresholds as well, that should be applied in conjunction with more clearly defined qualitative criteria that focus on the attributes of LCEs. We believe that local legislative and regulatory bodies should engage with stakeholders in the local market to apply such an LCE standard in a manner that is appropriate to our jurisdiction.

Please also refer in our response to the General Comments on Proposed ISA for LCE.

REA Auditores

We think that the standard should be adopted by the Spanish Audit Authority. From our Audit Corporation (REA Auditores – CGE) we will make an effort and propose to be adopted. Additionally, we strongly believe that this standard must be included in the EU audit regulation in order to equalize the audit standards across Europe.