

# Supplement 1-02 to Agenda Item 3

**Audits of Less Complex Entities – ED-ISA for LCE – Q7(b) Views are sought on the key principles used in developing ED-ISA for LCE as set out in this Section 4C: The approach to the objectives of each Part of the proposed standard(see paragraphs 78-80).**

Audits of Less Complex Entities - ED

**Specific Questions\Section 4C – Key Principles Used in Developing ED-ISA for LCE\Question 7 - Views on the key principles used in developing ED-ISA for LCE\Question 7(b) - The approach to the objectives of each Part of the proposed standard\1) Agree with Approach**

## **3. Regulators and Audit Oversight Authorities**

### **Botswana Accountancy Oversight Authority**

We are in agreement with the approach to the objectives to align the equivalent ISA objectives with some objectives more broadly stated than would be found in the ISAs for further clarity.

### **Independent Regulatory Board for Auditors (IRBA)**

We agree with the approach to the objectives of each part of the proposed standard.

## **4. National Auditing Standard Setters**

### **Austrian Chamber of Tax Advisors and Public Accountants (KSW)**

Response: We agree with the approach.

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

We agree with the approach retained. We have no comment to make.

### **Hong Kong Institute of Certified Public Accountants**

We are supportive of the IAASB's approach with respect to (a), (b) and (c).

### **Institute of Chartered Accountants of India**

We agree with the approach to the objectives of each Part of the proposed standard.

### **Public Accountants and Auditors Board Zimbabwe**

Response: We support the approach

## **5. Accounting Firms**

### **Azets Audit Services**

We agree with the principles used in developing the objectives of each Part.

### **Baker Tilly International**

If you have a separate standard then the approach is reasonable.

### **BDO International**

We agree with the approach to the objectives in each Part of the proposed standard.

### **Crowe Global**

We agree with the approach to the objectives of each Part of the proposed standard. Alignment, where appropriate, with the objectives of the relevant equivalent ISA is right.

### **Duncan & Toplis Limited**

We have no issue with the approach to setting objectives to each part of the standard.

### **Ernst & Young Global Limited**

We believe that the flow of the ED-ISA for LCE based on the separate objectives allows the content from the ISAs to be appropriately organized for a holistic standard.

### **ETY sas**

We support the approach to the objectives of each Part of the proposed standard.

### **Famme & Co. Professional Corporation**

We agree with these paragraphs.

### **Grant Thornton International Limited**

We agree with the approach to the objectives for each Part of ED-ISA for LCE.

### **KPMG IFRG Limited**

We are supportive of the approach taken by the IAASB in respect of the objectives of each Part of the proposed standard.

### **PKF International Limited**

We support the approach taken on the objectives of each Part of the proposed standard.

### **Price Bailey LLP**

Generally objectives are clear.

### **PriceWaterhouseCoopers**

We support the principle of establishing objectives for each Part of the standard. Unlike the standard's requirements, given the higher-level nature of objectives it is not unreasonable to use the objectives of the ISAs as a starting point. We also agree that the objectives of each Part should focus on the outcomes to be achieved by the auditor in complying with the requirements of that Part.

### **RSM International**

Response: We are supportive of the approach to objectives in the proposed standard. Highlighting the objectives at the start of each Part of the proposed standard enables the auditor to focus on its purpose.

## **6. Public Sector Organizations**

### **Audit Scotland**

The approach to the objectives of each Part is appropriate.

### **Auditor-General of New Zealand**

The approach adopted by the IAASB in developing the ISA objectives for inclusion in the proposed standard is reasonable and appropriate.

### **Government Accountability Office (USA)**

We believe that the IAASB's approach of providing objectives for each Part of the proposed standard is reasonable. The use of objectives that match the corresponding ISA helps provide a clear and comparable standard. The areas where multiple objectives are merged together is necessary and still provides the auditor with an understanding of the Part.

## **7. Professional Accountancy and Other Professional Organizations**

### **Accountancy Europe**

We agree with the approaches taken and that the auditor's objective should be to obtain reasonable assurance.

### **Association of Practising Accountants**

Response: Generally the objectives are clear.

### **Botswana Institute of Chartered Accountants**

The objectives are clear and concise.

### **Chamber of Auditors of the Republic of Azerbaijan**

(b) approach to objectives of each part of the proposed standard (see paragraphs 78–80);

Key principles used in developing ED-ISA for LCE are quite accurately specified in the following paragraphs:

**Chartered Governance and Accountancy Institute in Zimbabwe**

We support the approach to the objectives of each Part of the proposed standard.

**Confederation of Swedish Enterprise**

We support the chosen approach.

**CPA Ireland**

CPA Ireland supports the approach to the objectives of each Part of the proposed standard.

**European Federation of Accountants and Auditors for SMEs**

We agree with this approach.

**Federation of Accounting Professions of Thailand**

None. We believe the context of the proposed standard is sufficient and appropriate.

**Indonesian Committee on Public Accountant Profession (KPAP)**

Regarding the approach to each part of the proposed standard's objectives, KPAP agrees on what is stipulated in this ED, which states that the standard is principle-based. This arrangement is appropriate, and each country may adapt based on the circumstances of their audit and the complexity of their respective LCEs. The important thing that the auditor can understand is what needs to be accomplished in a particular case of the audit.

**Institute of Certified Public Accountants of Cyprus**

: We agree with this approach.

**Institute of Certified Public Accountants of Kenya**

We support the approach to the objectives of each Part of the proposed standard.

**Institute of Certified Public Accountants of Rwanda**

We agree with the approach used in the standard.

**Institute of Certified Public Accountants of Uganda**

We support the approach to the objectives of each Part of the proposed standard.

**Institute of Chartered Accountants of Jamaica**

The approach is reasonable.

**Institute of Chartered Accountants of Pakistan**

We agree with the principle-based approach of the proposed standard, which is similar to the ISAs.

**Institute of Chartered Accountants of Scotland**

We are supportive of the approach adopted.

**Instituto dos Auditores Independentes do Brasil**

We agree with the approach to the objectives in each Part of the proposed standard.

**Instituto Mexicano de Contadores Públicos (IMCP)**

We agree with the approach of the proposed standard as it makes sense with the approach of the ISAs.

**International Federation of Accountants' Small and Medium Practices Advisory Groups**

We agree with the approach to the objectives of each Part of the proposal as outlined in paragraphs 78-80.

**Korean Institute of Certified Public Accountants**

We agree with the approach of the ED-ISA for LCE.

**Nordic Federation of Public Accountants**

We support this approach and have no further comments.

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

We support the approach to the objectives of each Part of the proposed standard.

### **Pan-African Federation of Accountants (PAFA)**

We support the approach to the objectives of each Part of the proposed standard.

### **Polish Chamber of Statutory Auditors Warsaw (Regional Branch)**

Appropriate.

### **REA Auditores**

We agree with this approach

### **Self-Regulatory Organization of Auditors Association (SRO AAS)**

We agree with the approach to the objectives of each Part of the proposed standard.

### **Society of Certified Accountants and Auditors of Kosovo (SCAAK)**

We agree with this approach.

### **South African Institute of Chartered Accountants (2)**

We agree with the approach taken.

### **South African Institute of Professional Accountants**

We support the approach to the objectives of each Part of the proposed standard

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

The approach to objectives under each part of the proposed standard is appropriate.

### **Wirtschaftsprüferkammer (WPK)**

We agree with the approach to the objectives of each Part of the ED.

## **8. Academics**

### **Argentine institute of Auditing Professors**

We consider the proposed approach to the objectives of each part of the standard to be correct.

## **9. Individuals and Others**

### **ASK KSA Consulting Inc.**

We support this approach. No further comment.

### **Cristian Munarriz**

I generally agree with the approach.

### **Vera Massarygina**

The approach to the objectives is clear and correct.

## **Specific Questions\Section 4C – Key Principles Used in Developing ED-ISA for LCE\Question 7 - Views on the key principles used in developing ED-ISA for LCE\Question 7(b) - The approach to the objectives of each Part of the proposed standard\2) Agree with Comments**

## **4. National Auditing Standard Setters**

### **Federación Argentina de Consejos Profesionales de Cs. Económicas**

Answer: They are considered reasonable. However, the possibility that the objectives of many topics under the LCE standards are broader than those that would be found in the ISAs should be an exception.

### **Institut der Wirtschaftspruefer in Deutschland e.V. (IDW)**

We support the reduction of the number of objectives by aggregating them for each audit phase. When writing our draft German LCE standards, we also considered whether setting separate objectives for each separate standard would be helpful. We

decided that the key requirements in relation to risk assessment, risk response and reporting serve almost like objectives and therefore we chose not to have objectives for each standard.

### **Malaysian Institute of Accountants**

Response: The objectives are appropriate. At the same time more guidance and practical examples should be provided to flesh out the objectives to assist auditors who may generally be from smaller firms (or those who may not have been trained to use the full ISAs).

### **New Zealand Auditing and Assurance Standards Board**

The objectives in ED-ISA for LCE align, where appropriate, to the equivalent ISA objectives. However, given that the structure of the ED-ISA for LCE follows the flows of an audit, in each Part of the proposed standard there may be numerous topics where each have their own objective(s) in the full ISAs. Therefore, some of the objectives in ED-ISA for LCE may be more broadly stated than it would be in the ISAs. The NZAuASB considers that it is difficult to evaluate whether stating objectives in a broader way has an impact on their implementation. However, the overall approach seems reasonable and appropriate.

## **6. Public Sector Organizations**

### **Office of the Auditor General of Alberta**

We agree with the objectives; however, we note the continued use of “shall.” “Shall” is used extensively throughout the ED-ISA for LCEs and conflicts with a complete principles-based standard. A full principles-based standard would permit the auditor to select which procedures are required to meet each objective within the standard. We are not suggesting the IAASB remove the “shalls,” however the term “principles-based standard” may not be accurate in paragraph 78.

## **7. Professional Accountancy and Other Professional Organizations**

### **CPA Australia**

We consider that the objectives will be helpful in understanding the overall purpose of each part of the standard but note that there is some overlap between the content of the objectives, scope and some of the EEM material, as discussed below. Some of this material could be consolidated to simplify the parts.

### **Institute of Chartered Accountants of Ghana**

This seems to be in order. The objectives in ED-ISA for LCE align, where appropriate, to the equivalent ISA objectives. In some Parts there may be numerous topics addressed for which the equivalent ISAs for these individual topics would each have their own objective(s)). Therefore, some of the objectives in ED-ISA for LCE may be more broadly stated than would be found in the ISAs.

The IAASB also considered the intended outcomes of the objectives of all the Parts combined and debated whether the individual objectives would achieve the overall objectives of the auditor (see ED-ISA for LCE paragraph 1.3.1) when combined, and agreed that the overall objectives could be achieved.

Grouping the standard into parts made it easy to read and apply, although we are of the view that it might lead to some important areas of the section to be omitted from the ISA which need to have been included.

### **Malaysian Institute of Certified Public Accountants**

The objectives are appropriate. However, more practical examples and guidance to provide application of the objectives would be useful to the practitioners.

### **Saudi organization for Chartered and Professional Accountants**

We found the approach to include the objectives of each part of the ED-ISA for LCEs clear, understandable and helpful. However, we believe that presenting the objectives in the introductory box with the content and scope of each part can better distinguish the objectives from the requirements, and match the intended purpose of explaining the objectives of each part. It has been made clear that the objectives are set out to exhibit the ISA’s principle-based approach through establishing the ultimate meaning of each audit procedure while they are not stipulating any requirements of specific procedures. They add to the overall understanding of the standard’s requirements which is significant to enhance the compliance with requirements, and, in our view, this eventually resembles the intended purpose of the introductory box.

## **Specific Questions\Section 4C – Key Principles Used in Developing ED-ISA for LCE\Question 7 - Views on the key principles used in developing ED-ISA for LCE\Question 7(b) - The approach to the objectives of each Part of the proposed standard\3) Disagree with Approach**

### 3. Regulators and Audit Oversight Authorities

#### Finance Professions Supervisory Centre Indonesia

The approach to the objectives of each Part of the proposed standard (see paragraphs 78-80): Considering the components of the ED SA for LCE are the core of the substance of the ISAs, we believe that the objectives in the ED SA for LCE and ISAs should be convenient and equivalent, even though both standards have their own scope and goals.

**Specific Questions\Section 4C – Key Principles Used in Developing ED-ISA for LCE\Question 7 - Views on the key principles used in developing ED-ISA for LCE\Question 7(b) - The approach to the objectives of each Part of the proposed standard\4) Refer to Other Comments Only**

### 7. Professional Accountancy and Other Professional Organizations

#### Malta Institute of Accountants

Please refer to above comments.

Keeping fully aligned with the ISAs means that the proposed standard does not deal effectively with the "pain points" around, for example, the required understanding of controls, estimates, documentation. We do not believe it will achieve the efficiency that many are seeking, and could be possible if the Standard was less wedded to mirroring the ISA requirements. If complying with this Standard results in the same audit, what is actually to be achieved by this Standard is questionable. The Standard does not seek to come up with new solutions but the requirements seem to be a mirror image of the other ISAs. We believe that alternative solutions have not been sufficiently explored.

- There is concern that if trying to keep aligned with the ISAs, changing the wording of the requirements introduces ambiguity about whether the intent is the same or not. In the current environment, opening the door to different interpretations is not in the public interest and increases the expectation gap.

**Specific Questions\Section 4C – Key Principles Used in Developing ED-ISA for LCE\Question 7 - Views on the key principles used in developing ED-ISA for LCE\Question 7(b) - The approach to the objectives of each Part of the proposed standard\5) Mapped to Other Code**

### 7. Professional Accountancy and Other Professional Organizations

#### Chamber of Financial Auditors of Romania

The mapping document between the requirements of ISAs and the proposed standard is a very useful tool and it will be beneficial for practitioners in the course of transition from ISAs to ISA for LCE. It might also be useful for continuous professional development courses and for a better understanding of the application of the new standard by interested stakeholders.