

Comments of the Chamber of Auditors of the Republic of Azerbaijan on the Exposure Draft International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCEs)

1. We believe that the value of the proposed standard is specifically its standalone nature. There are certainly some obstacles that may impair this approach; however, we believe they are addressable. The title of the proposed standard is acceptable, and any other title would be synonymous.
2. We agree with the conforming amendments to the IAASB Preface.
3. (a) The scope as presented is theoretically implementable.
(b) However, there may be unintended consequences that the IAASB has not yet considered.
(e) The proposed role of legislative and regulatory authorities with the standard setting power in individual jurisdictions is quite clear.
4. We basically agree with the proposed limitations on application of ED-ISA for LCE.
5. The Guide provided is sufficiently helpful in understanding the Scope.
6. Sure enough, testing of the proposed standard may reveal other matters related to the Scope that the IAASB should consider as it progresses ED-ISA for LCE to finalization.
7. Key principles used in developing ED-ISA for LCE are quite accurately specified in the following paragraphs:
 - (a) approach to incorporation of the ISA requirements into the proposed standard (see paragraphs 74–77);
 - (b) approach to objectives of each part of the proposed standard (see paragraphs 78–80);
 - (c) principles of professional skepticism and professional judgment, relevant ethical requirements, and quality management (see paragraphs 81–84);
 - (d) approach to the Essential Explanatory Material (see paragraphs 85–91) covering the following:
 - (i) The content of EEM, including whether it serves the intended purpose;
 - (ii) Sufficiency of EEM;
 - (iii) How EEM is presented within the proposed standard.
8. Overall design and structure of ED-ISA for LCE including the application of the drafting principles are satisfactory.

9. The content of parts 1-8 of ED-ISA for LCE is overall satisfactory. We believe any problem that may arise during the testing (or application) of the ISA can be eliminated in due course in the process of improving and updating the ISA.

10. We basically agree with the approach accepted in Part 9 of the ED-ISA for LCE to formulation of requirements to auditor reporting on all specified aspects.

11. Regarding the Reporting Supplemental Guide, we believe that:

(a) the supporting materials are helpful;

(b) there are no other matters that should be included in relation to the reporting;

12. We believe that hypothetically all aspects of Parts 1–9 of the proposed standard can be improved. But this will be revealed only during application and testing.

13. We believe that no aspect of the proposed standard may challenge the transitioning to the ISA.

14. Yes, we basically agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance.

15. In our view, the adoption of any subsequent revisions to the standard once it is effective is a generally accepted practice, while early adoption of changes depends on their nature and materiality.

16. A separate part on the ISA-800 series should be included within ED-ISA for LCE as the audit of special purpose financial statements is an integral part of audit services.

17. In our view, ED-ISA for LCE will generally 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. Further improvement of the standard will allow to achieve this goal to the full extent.

18. Obviously, there will be other matters related to ED-ISA for LCE that the IAASB should consider as it progresses the proposed standard to finalization.

19. Any support and guidance, including trainings, meetings, published expert views would be useful when implementing the proposed standard.

20. We intend to translate this ISA after its final approval in accordance with the IFAC Translation Strategy.

21. We believe that the standard will be effective for the financial reporting periods beginning at least 18 months after the approval of the standard. We also believe that permitting and encouraging earlier application is quite reasonable.
22. YES, group audits should be included in the scope of ED-ISA for LCE.
23. No comments
24. If group audit engagements are to be included in the scope of ED-ISA for LCE, then, in our opinion, the IAASB should establish a proxy(ies) for complexity for the cases when the proposed standard is applicable.
25. There are probably other ways to incorporate group audit engagements into the scope of the proposed standard that are not reflected in the alternatives described in the Draft and that can be developed as the standard is applied.
26. If group audit engagements are incorporated in ED-ISA for LCE, relevant requirements should be presented within the proposed standard as requirements pertaining to group audit engagements in each relevant part.