

January 31, 2022

Mr. Tom Seidenstein
Chair, IAASB
529 Fifth Avenue
New York, NY 10017

PROPOSED ISA FOR AUDITS OF FINANCIAL STATEMENTS OF LESS COMPLEX ENTITIES

Dear Mr. Seidenstein,

IFAC (International Federation of Accountants) welcomes the opportunity to comment at a high-level on the International Auditing and Assurance Standards Board's (IAASB) Exposure Draft *Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities* (the Exposure Draft).

IFAC has appreciated the opportunity to actively participate in the development of the Exposure Draft through membership of both the IAASB LCE Reference Group and Task Force. We have also valued the regular engagement between the IAASB and IFAC's SMP Advisory Group (SMPAG).

IFAC supported the IAASB exploring possible actions to address challenges and concerns raised in applying the ISAs to smaller, less complex entities (LCEs) both in our [response](#) to the IAASB Discussion Paper *Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs* (Discussion Paper) and in our [Achieving High-Quality Audits Point of View](#).

Given LCEs significant contribution to the global economy, this project is critical to support the public interest. We continue to believe that 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. It is important that the IAASB maintains its remit as the global standard setter for all types of entities.

IFAC has strongly encouraged our member organizations to prioritize the ED and raise awareness of the consultation with their members. In co-ordination with the IAASB, we developed a [survey](#) to encourage wider input and are pleased that over 250 responses were received from a wide range of stakeholders and from over 80 different countries.

The SMPAG will be submitting a separate response to the ED. Key positions which we would like to take the opportunity to re-iterate include the support for a separate, standalone standard and the view that group audits should be included in the scope if they meet required qualitative characteristics, otherwise the take-up could be severely limited.

We appreciate that there will likely be a large volume of responses to the ED, with a broad range and diversity of views expressed. There will likely be no easy way forward on certain issues and balancing the competing feedback from all stakeholders will be a challenge. We believe it is important for the IAASB to



take sufficient time to reflect on all the constructive input in determining the next steps, but also be very mindful of the high expectations from stakeholders on this project and therefore seek to finalize the standard in accordance with the proposed timetable of March 2023.

Please do not hesitate to contact me if there is anything further that IFAC can do to assist in the next stages of the project, or if you have any questions regarding this response.

Regards,

A handwritten signature in black ink, appearing to read "Kevin Dancey". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Kevin Dancey
Chief Executive Officer