



# T Ü R M O B

TÜRKİYE SERBEST MUHASEBECİ MALİ MÜŞAVİRLER  
VE YEMİNLİ MALİ MÜŞAVİRLER ODALARI BİRLİĞİ  
(UNION OF CHAMBERS OF CERTIFIED PUBLIC ACCOUNTANTS OF TURKEY)

Ankara, January 31, 2022

**To: Mr. Tom Seidenstein**

Chairman

The International Auditing and Assurance Standards Board (IAASB)

**From: Mr. Emre Kartaloğlu**

President

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

**Subject:** Exposure Draft: Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)

**Dear Tom Seidenstein;**

We, as Union of Chambers of Certified Public Accountants of Turkey (TURMOB), are pleased to provide you with our response for Exposure Draft named Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)

Firstly, we want to give information about us shortly. TÜRMOB, the Union of Chambers of Certified Public Accountants of Turkey, is the national professional body with the sole authority to award professional license in Turkey. TÜRMOB was founded in 1989 with the Law on Certified Public Accountancy and Sworn-in Certified Public Accountancy numbered 3568. TÜRMOB is the largest and fastest-growing national professional organization for professional accountants with over 120,696 members and approximately 20.000 students in Turkey. It is member body of IFAC since 1994 and it is founder member of FCM and Edinburgh Group. Therefore, I would also like to emphasize that as TÜRMOB, we closely follow every topics at the global level that is directly or indirectly related to the profession.

We would like to state that this ED on Audit of LCE prepared by IAASB is reviewed and worked hard on it by participating all event on this and contributing many working parties



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established within global organizations such as Accountancy Europe, EFAA or etc. temporarily.

You may find below our responses to questions that have been put forward in your ED. As an overall evaluation of the proposed standard set, we deem ISAs for LCE to be fit for purpose to match the simplicity, clarity and scalability needs to perform LCE audits by SMP audit firms.

Please do not hesitate to reach us, shall you require any further comments or clarifications by using [international@turmob.org.tr](mailto:international@turmob.org.tr).

Sincerely Yours,



**Emre KARTALOĞLU**  
President



# TÜRMOB

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## **TÜRMOB's comments and responses on Proposed ISA for LCE**

### **Our General Views:**

The set of standards as proposed by IAASB is responsive to the needs voiced by the larger community of preparers, users, auditors, and regulators of audited financial statements during initial consultations. Given that Turkey is a jurisdiction where 99.8 % of all enterprises are SMEs and their contribution to the national economy is 62 %, while the statutory audit thresholds are quite high and do not cover SMEs; IAASB has our full support for the ISA for LCE initiative.

As stated above, the mandatory audit thresholds and criteria in Turkey result in coverage of large enterprises and public interest entities for statutory audits. Voluntary audits are more commonly need or request basis, in which the expected benefit from the audit needs to outweigh the associated costs for the enterprise. Furthermore, given the relatively smaller number of mandatory audits and relatively shallow demand for voluntary audits, the audit market cannot develop at the desired pace in terms of number of audit service providers, specialization in certain types of audits and the overall quality of the audits.

It should be considered that for the standards to be nationally adopted, there will be additional time needed for (i) translation of the standards into local languages, preferably led by the professional accountancy body in the country to allow for local auditors to start implementing voluntarily as soon as possible, and (ii) for the national regulators not only to translate but also to open up for national consultation before adopting it as national legislation and setting up criteria and thresholds for mandatory use, if deemed necessary.

Therefore, we deem it to be urgency that the ISAs for LCEs become effective in the shortest time possible and we fully support the option for early adoption.

In the meantime, the publicity and communication activities should commence with regards to obtaining support of all decision maker and stakeholders which would contribute to the adoption, implementation, and acclamation of ISAs for LCE as “the fittest and most widely accepted” audit standard delivering the required level of assurance resulting from high-quality audit in the public interest and users benefit. IAASB, in close collaboration of IFAC, regional and national accountancy bodies, standard setters and regulators, to advocate for ISAs for LCE and its value proposition for audits of LCE.

As an overall evaluation of the proposed standard set, we deem ISAs for LCE to be fit for purpose to match the simplicity, clarity and scalability needs to perform LCE audits by SMP audit firms. However, we believe the requirements regarding the documentation on audit work done and procedures to assess risks associated with internal controls can further be simplified. There is certainly need for guidance material to be developed to assist the auditors in



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implementing the standards, planning and conducting audits, and forming an audit opinion. Since there is no option to “borrow” from the ISAs in case a certain element of the audited entity is complex, i.e., ISAs for LCE cannot be applied for an LCE entity even with a single complex matter and the auditor should revert to ISAs, in the CUSP project should be given equal priority to complement the LCE work.

## Specific Questions

### *Section 4A – Overarching Positioning of ED-ISA for LCE*

1. Views are sought on:

- (a) The standalone nature of the proposed standard, including detailing any areas of concern in applying the proposed standard, or possible obstacles that may impair this approach?

#### Our Response:

TURMOB has been supporting a standalone set of standards LCE from the start and it still does. Given the urgency of the need for the standards, the proposed set is sufficiently comprehensive to conduct a quality audit to obtain reasonable assurance. Having said that, the CUSP project will inform further simplification and implementation of ISAs for LCE, which may even lead in more convergence between the two sets of standards. Standard setting is a very costly process from development to adoption to monitoring and revision. The efforts should not be unnecessarily duplicated, and two projects should be aligned, while also prioritizing development of implementation support and guidance materials for ISAs for LCE that are easily accessible with technology and language supported tools.

- (b) The title of the proposed standard.

#### Our Response:

ISA for LCE is fit for purpose as a title, although LCE it is not easily meaningfully translated in a simple and concise manner to many languages and the question still remains “less complex compared to what”. “Less complex” is a subjective term compared to “non-complex” or just “simple”.

- (c) Any other matters related to ED-ISA for LCE as discussed in this section (Section 4A).



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## Our Response:

In many jurisdictions, professional accountants are subject to additional education, examination, and experience requirements to perform audits. The ISAs for LCE need to be incorporated in the curricula in the medium term for newcomers and for the short-term additional training will need to be offered to those who are already in practice. To assist this, practical guidance with cases should be made available as soon as possible. Further guidance with practical examples would also be needed to assist the auditor in determining whether the audit engagement would and ISA or ISA for LCE engagement.

2. Do you agree with the proposed conforming amendments to the IAASB Preface (see paragraphs 39-40)? If not, why not, and what further changes may be needed?

## Our Response:

We agree with the proposed conforming amendments.

### *Section 4B – Authority of the Standard*

3. Views are sought on the Authority (or scope) of ED-ISA for LCE (Part A of the proposed standard). In particular:
  - (a) Is the Authority as presented implementable? If not, why not?

## Our Response:

The authority for ISA for LCE will be set by the national regulators for statutory audits and by client demand for voluntary audit engagements. We agree that the authority cannot be set uniformly at a global level, and that the guiding principles to present a direction and scope to the national authorities are sufficiently provided under this section. As stated in footnote 16 of the ED, IESBA's PIE definition should not only be considered, but also advocated for adoption to enhance comparability and consistency of implementation worldwide.

- (b) Are there unintended consequences that could arise that the IAASB has not yet considered?

## Our Response:

IAASB need carefully communicate the authority, scope, assurance level, quality of ISA for LCE to manage expectations of various stakeholders considering public interest. This is crucial for avoiding new creation of expectation gaps regarding the standard as it comes in use.

- (c) Are there specific areas within the Authority that are not clear?



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## Our Response:

No, the authority is clear being principle based.

- (d) Will the Authority, as set out, achieve the intended objective of appropriately informing stakeholders about the scoping of the proposed standard?

## Our Response:

If communicated widely and clearly, the stakeholders will be informed appropriately regarding the authority.

- (e) Is the proposed role of legislative or regulatory authorities or relevant local bodies with standard setting authority in individual jurisdictions clear and appropriate?

## Our Response:

Yes, on top of existing restrictions, individual jurisdictions can impose additional requirements.

4. Do you agree with the proposed limitations relating to the use of ED-ISA for LCE? If not, why and what changes (clarifications, additions or other amendments) need to be made? Please distinguish your response between the:

- (a) Specific prohibitions; and  
(b) Qualitative characteristics.

If you provide comments in relation to the specific prohibitions or qualitative characteristics, it will be helpful to clearly indicate the specific item(s) which your comments relate to and, in the case of additions (completeness), be specific about the item(s) that you believe should be added and your reasons.

## Our Response:

The specific prohibitions are clear and appropriate.

The qualitative characteristics are subject to evaluation and discretion of the auditor to arrive at a conclusion of complexity level of the entity. We believe regulatory oversight and review as well as guidelines to be developed at the firm level would be required to assess and lead to avoid huge discrepancies as to the assessments of different auditor and align professional judgment to the extent possible.



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## 5. Regarding the Authority Supplemental Guide:

- (a) Is the guide helpful in understanding the Authority? If not, why not?

### Our Response:

The guide is helpful both for the national regulators in setting criteria and thresholds and the audit firms to develop in firm implementation principles.

- (b) Are there other matters that should be included in the guide?

### Our Response:

It should be noted that the guide is a reference point to build on for national regulatory arrangements.

6. Are there any other matters related to the Authority that the IAASB should consider as it progresses ED-ISA for LCE to finalization?

### Our Response:

As stated above, PIE definition work of IESBA should continue to be considered.

### *Section 4C – Key Principles Used in Developing ED-ISA for LCE*

7. Views are sought on the key principles used in developing ED-ISA for LCE as set out in this Section 4C. Please structure your response as follows:

- (a) The approach to how the ISA requirements have been incorporated in the proposed standard (see paragraphs 74-77).

### Our Response:

The general approach, principles and structure are aligned with ISAs in developing ISA for LCE which is positive, since both set of standards aim high quality, risk-based audits providing reasonable assurance. Given the familiarity of users with ISAs, it is useful that the same terminology and main concepts.

- (b) The approach to the objectives of each Part of the proposed standard (see paragraphs 78-80).

### Our Response:

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



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- (c) The principles in relation to professional skepticism and professional judgement, relevant ethical requirements and quality management (see paragraphs 81-84).

## Our Response:

Professional skepticism and professional judgement are the backbone of an audit. Given the purpose and objective of an LCE audit, ethical requirements and quality management measure should be an integral part of the engagement.

- (d) The approach to EEM (see paragraphs 85–91) including:
- (i) The content of the EEM, including whether it serves the purpose for which it is intended.
  - (ii) The sufficiency of EEM.
  - (iii) The way the EEM has been presented within the proposed standard.

## Our Response:

The EEM is an important integral part of audit standards. The purposefulness and sufficiency of the content of EEM can better be assessed by the implementers. We believe IAASB has put best effort towards this end, but it can only be commented by auditors performing audit work. Our main observation is that there appears to be an imbalance of the level of detail and guidance among different EEM. Therefore, we believe the EEM should be revisited throughout the standard set to have a more cohesion through further simplification where possible and further clarification or demonstration where appropriate.

### *Section 4D – Overall Design and Structure of ED-ISA for LCE*

8. 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).

## Our Response:

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 favor of user/reader friendliness.





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## Section 4E – Content of ED-ISA for LCE

9. Please provide your views on the content of each of **Parts 1 through 8** of ED-ISA for LCE, including the completeness of each part. In responding to this question, please distinguish your comments by using a subheading for each of the Parts of the proposed standard.

### Our Response:

#### **PART 1: FUNDAMENTAL CONCEPTS, GENERAL PRINCIPLES AND OVERARCHING REQUIREMENTS**

In the LCE, those charged with governance may or may not be separate from management. As communication of auditor with those charged with governance and the management are essential part of the audit process, it would be useful for IAASB to clearly differentiate and state essential communication requirements and optional communication requirements depending on the separation or involvement of the above-mentioned groups.

#### **PART 2: AUDIT EVIDENCE AND DOCUMENTATION**

The EEMs under this part need to be revisited with the lens provided in our comments above.

#### **PART 3: ENGAGEMENT QUALITY MANAGEMENT**

The applicability of the requirements are somewhat questionable given that the audits of the LCEs are usually carried out by small audit teams who will not be able to have a separate engagement quality review team. The Engagement Partner's Responsibilities need to be reconsidered requirement-wise considering scalability.

#### **PART 4: ACCEPTANCE OR CONTINUANCE OF AN AUDIT ENGAGEMENT AND INITIAL AUDIT ENGAGEMENTS**

Particularly for initial audit engagements, the auditor will decide whether the engagement can be performed using ISA for LCE based on professional judgement. As a result, the auditor may decide that the entity does not qualify as LCE. Therefore, unless otherwise mandated by regulation the format and content of the engagement letter should allow for converting to ISAs as the applicable standard for the engagement.

#### **PART 5: PLANNING**

In the planning no separation of the audit strategy and audit plan is foreseen, which we fully support. In practice, identification risk level and planning materiality are often issues that challenge the auditors. It is obvious that the most guidance needed areas are those where the



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auditor needs exercising more professional judgement and professional scepticism. Demonstration of how these are determined under different cases would be very useful.

## **PART 6: RISK IDENTIFICATION AND ASSESSMENT**

In this part, we believe simplification is needed for clarification and better guidance for implementation.

## **PART 7: RESPONDING TO ASSESSED RISKS OF MATERIAL MISSTATEMENT**

The EEM for this part can be more detailed.

## **PART 8: CONCLUDING**

We believe this part is fit for purpose.

10. For **Part 9**, do you agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements, including:

- (a) The presentation, content and completeness of Part 9.
- (b) The approach to include a specified format and content of an unmodified auditor's report as a requirement?
- (c) The approach to providing example auditor's reports in the Reporting Supplemental Guide.

### **Our Response:**

We agree with the overall approach including the presentation, content and completeness of part 9. It is preferable that a specified format and content of an unmodified auditor's report is presented in the Reporting Supplemental Guide.

11. With regard to the Reporting Supplemental Guide:

- (a) Is the support material helpful, and if not, why not?

### **Our Response:**

The Reporting Supplemental Guide is helpful. We have no additional comments.

- (b) Are there any other matters that should be included in relation to reporting?



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## Our Response:

The Reporting Supplemental Guide is sufficiently detailed.

12. Are there any areas within Parts 1–9 of the proposed standard where, in your view, the standard can be improved? If so, provide your reasons and describe any such improvements. It will be helpful if you clearly indicate the specific Part(s) which your comments relate to.

## Our Response:

EEMs can be improved as stated above.

### *Section 4F – Other Matters*

13. Please provide your views on transitioning:

- (a) Are there any aspects of the proposed standard, further to what has been described above, that may create challenges for transitioning to the ISAs?

## Our Response:

Transitioning would be exceedingly difficult in practice for a number of reasons. First, converting to ISAs in an engagement would be overdoing the audit since the two sets of standards are separate. Second, the auditor may have the team capacity to conduct an ISA audit. Therefore, this transition should be an exception where the continued use of LCE standards significantly hinders the ability of the auditor to obtain reasonable assurance.

- (b) What support materials would assist in addressing these challenges?

## Our Response:

A flow diagram demonstrating the transition process with a decision tree would be useful as an Appendix.

14. Do you agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance?

## Our Response:

If the revision of ISAs will result in simplifications and clarifications that might also be applicable to ISAs for LCE, then those updates and maintenance would be relevant.



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15. For any subsequent revisions to the standard once effective, should early adoption be allowed? If not, why not?

## Our Response:

We are in favour of early adoption option.

16. Should a separate Part on the ISA-800 series be included within ED-ISA for LCE? Please provide reasons for your response.

## Our Response:

No, we do not believe a part on the ISA-800 series should be within ISAs for LCE. A separate ISA 800 for LCE, can be considered.

17. 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:

- (a) Whether the proposed standard can, and will, be used in your jurisdiction.

## Our Response:

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.

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

## Our Response:

Overall, the proposed standard meets the needs stakeholders, particularly auditors and users of financial statements.

- (c) Whether there are aspects of the proposed standard that may create challenges for implementation (if so, how such challenges may be addressed).



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## Our Response:

If authority of the standard is not well defined by the regulator, auditors may find it challenging to choose between the two sets of ISAs.

18. Are there any other matters related to ED-ISA for LCE that the IAASB should consider as it progresses the proposed standard to finalization?

## Our Response:

IAASB should aim to get the standard out as soon as possible. A re-exposure should not be considered unless the result of this consultation is highly unfavourable. The standard should be market tested with early adoption option and then fine-tuned if necessary.

### *Section 4G - Approach to Consultation and Finalization*

19. What support and guidance would be useful when implementing the proposed standard?

## Our Response:

An implementation guide is definitely needed. Further, it would be useful if a full sample audit file for an SME audit engagement performed with ISA for LCE could be provided, showing all the flow of audit.

20. Translations—recognizing that many respondents may intend to translate the final ISA for LCE in their own environments, the IAASB welcomes comment on potential translation issues noted in reviewing ED-ISA for LCE.

## Our Response:

No translation issues expected.

21. Effective Date—Recognizing ISA for LCE is a new standard, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning at least 18 months after the approval of a final standard. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA for LCE.

## Our Response:

The suggested effective date is appropriate.



## Section 5 – Group Audits

22. The IAASB is looking for views on whether group audits should be excluded from (or included in) the scope of ED-ISA for LCE. Please provide reasons for your answer.

### Our Response:

For the time being, the group audits should be excluded. Their inclusion will increase complexity of the standard and may lengthen time for its effectiveness as well.

23. Respondents in public practice are asked to share information about the impact of excluding group audits from the scope of ED-ISA for LCE on the use of the proposed standard. In particular:

- (a) Would you use the standard if group audits are excluded? If not, why not?

### Our Response:

If the group audit is all LCE, it can be used.

- (b) Approximately what % of the audits within your firm or practice would be group audits that would likely be able to use ED-ISA for LCE (i.e., because it is likely that such group audits could be considered less complex entities for the purpose of the proposed standard) except for the specific exclusion?

### Our Response:

Not applicable for us to answer.

- (c) What common examples of group structures and circumstances within your practice would be considered a less complex group.

### Our Response:

Not applicable for us to answer.

24. If group audits are to be included in the scope of ED-ISA for LCE, the IAASB is looking for views about how should be done (please provide reasons for your preferred option):

- (a) The IAASB establishes a proxy(ies) for complexity for when the proposed standard may be used (“Option 1 - see paragraph 169); or



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- (b) ED-ISA for LCE sets out qualitative characteristics for complexity specific to groups (Option 2 - see paragraph 176), to help users of the proposed standard to determine themselves whether a group would meet the complexity threshold.

## Our Response:

Option 2 is preferable.

25. Are there other ways that group audits could be incorporated into the scope of the proposed standard that is not reflected in the alternatives described above? For example, are there proxies for complexity other than what is presented in paragraph 169 that the IAASB should consider?

## Our Response:

Option 2 is fit for purpose.

26. If group audits are included in ED-ISA for LCE, how should the relevant requirements be presented within the proposed standard (please provide reasons for your preferred option):
- (a) Presenting all requirements pertaining to group audits in a separate Part; or
- (b) Presenting the requirements pertaining to group audits within each relevant Part.

## Our Response:

We prefer that all requirements pertaining to are presented as a separate part related to group audits.