



Discussion Paper - Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs



11 September 2019

The Technical Director
IAASB Technical Director

Dear Sir/Madam

**Chartered Accountants Academy (CAA) and Training and Advisory Services (TAS)
Submission – Discussion Paper on “Audits of Less Complex Entities: Exploring Possible
Options to Address the Challenges in Applying the ISAs.”**

In response to your request for comments on Discussion Paper “Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs”, attached is the comment letter prepared by Chartered Accountants Academy and Training & Advisory Services. The comment letter is a result of deliberations of members of CAA and TAS which comprises chartered accountants who have experience in auditing, IFRS specialists and academics.

We are grateful for the opportunity to provide our comments on this project.

Please do not hesitate to contact us should you wish to discuss any of our comments.

Yours faithfully,

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Project Director CAA

Cleopatra Munjoma (TAS)
Project Director (TAS)

Question 1: We are looking for views about how LCEs could be described. In your view, is the description appropriate for the types of entities that would be the focus of our work in relation to audits of LCEs, and are there any other characteristics that should be included?

We agree with the description.

It is appropriate, in that it can easily be used together with legal definitions being used in other jurisdictions since it is based on qualitative characteristics that are not exhaustive or prescriptive. Those auditors in jurisdictions without any guidance currently, will be able to use the description as guidance while still exercising professional judgement in consideration of these and any other additional characteristics.

Question 3: With regard to the factors driving challenges that are not within our control, or have been scoped out of our exploratory information gathering activities (as set out in Section II), if the IAASB were to focus on encouraging others to act, where should this focus be, and why?

Our view is that the focus should be on Public Expectations.

In as much as we agree that the scope of this work is not intended to directly address the expectation gap, we are of the view that the IAASB could utilize any available opportunities to address this gap. By making the ISAs scalable to LCEs this allows for a better quality in the audit process thereby addressing aspects of the expectation gap, which in turn has a positive impact on the perceived value of an audit.

Question 4 : To be able to develop an appropriate way forward, it is important that we understand our stakeholders' views about each of the possible actions. In relation to the potential possible actions that may be undertaken as set out in Section III

For each of the possible actions (either individually or in combination):

i. Would the possible action appropriately address the challenges that have been identified?:

Revising the ISAs - This could be a long process however it could lead to a well thought outcome which will be scalable and proportionate in application to the different types of entities especially if it is done by way of making targeted changes when an ISA is being revised. Better signposting within the application material about how to apply the requirements that are relevant to audits of LCEs would make it clearer in application and could be as the Code of Professional Conduct is presented in as far as requirements are different for Public Interest Entities are concerned. This could appropriately address the challenges that have been identified.

Developing a Separate Auditing Standard for Audits of LCEs – Depending on whether the separate standard is developed on the existing framework or a completely new framework, the timing could be rather very long. Setting a separate standard based on the current ISAs framework could be the better of the two options of achieving this, as it would be building on the work and extensive research and input already done by the IAASB and its stakeholders on the ISAs. Coming up with a new framework could possibly take too long in the meanwhile problems identified could take too long to be addressed and even so it is not possible to determine whether the completely new separate standard would address appropriately the challenges being identified. However, if the separate standard is developed on the existing framework it would likely appropriately address the challenges identified, possibly the process might take fairly long.

Developing Guidance for Auditors of LCEs or Other Related Actions – This would likely be the most efficient way to address the challenges identified. Concern however would be raised over the appropriateness of the solution bearing in mind that the IFAC has already got a guide along the lines being proposed but challenges are still being faced.

If guidance is provided by way of an International Auditing Practice Note (IAPN), the challenges might again not be appropriately addressed as the ISA requirements would still need to be complied with in full, therefore the aspect of scalability might still be unaddressed.

Guidance for the application of specific areas within the ISAs, or particular ISAs specifically for challenges identified related to audits of LCEs, could be the most a better way to address the challenges. It would however possibly mean a robust process in collecting input on the identified ISAs requiring guidance, to ensure that coverage is as wide as possible. This could be more effective if issued together with focused “implementation packs” for new and revised ISAs