

**CONTRIBUTONS FROM CROWE MACRO BRAZIL TO THE PROPOSED STANDARD
ISA FOR LESS COMPLEX ENTITIES (LCEs) – NOVEMBER 2021**

#	Section	Comment
1	Section 1 – paragraph 26	Prohibition to use some ISAs (top-up) may rend this ISA for LCEs useless or less useful than it would be possible/desirable. We suggest that the IAASB reconsider this restriction, leaving the final decision to the auditor’s professional judgement. There would be numerous cases where the fact of applying a ‘full’ ISA to a certain item or assertion does not make the option for this ISA for LCEs invalid.
2	Section 1 – paragraph 29	The IAASB should include an express mention to highlight that large and complete knowledge of the ‘full’ ISAs is a prerequisite for the auditor to be capable of deciding which set o apply and to properly apply this ISA for LCEs.
3	Section 1 – paragraph 30	Fully agreed. Implementation guidelines will be very welcome.
4	Section 1 – paragraph 45	We suggest not to abandon the need of professional judgement, especially taking into consideration that facts and circumstances that define a LEC will undoubtedly quite different throughout jurisdictions.
5	Section 1 – paragraph 46	Under our point of view, only a small proportion of public interest entities (PIEs) will qualify to be audited applying this IS for LECs. So, the restriction is useless and inconvenient.
6	Section 1 – paragraph 54	We agree with the view of those stakeholders that are against the prohibition of including listed entities among the entities that should not be considered ‘less complex’ as the analysis of whether “the standard is appropriate to use for an audit should be made based on complexity only, and therefore that smaller, ‘straightforward’ listed entities” should be eligible to be audited applying this ISA for LCEs. For example, what level of complexity should present a SPAC (or similar structure) particularly during the period when the funds are not yet invested in acquisitions? Somehow, it contradicts the concept that ISA for LCEs will result in appropriate and sufficient evidence on which to base an audit opinion.
7	Section 1 – paragraph 56	Fully agreed, as this ISA for LCEs is intended to be applied in many jurisdictions.
8	Section 1 – paragraph 68	Fully agreed.

9	Proposed standard – Parts 1,2 and 3	Excellent. It reinforces the concept that an examination conducted by applying SA for LCEs is not 'second class audit'.
10	Proposed standard – item 4.2.1	It should be clarified the conduct to adopt when the auditor finds out that ISA for LCEs is no longer applicable once the job has been accepted or even initiated. In our opinion, item 4.8.3 does not help.
11	Proposed standard – item 4.8.4	We suggest that the standard proposes that the engagement letter includes an express mention on what happens in case the conditions that allowed the use of this ISA for LCEs change dramatically or become invalid.
12	Proposed standard - item 5.2.9	We suggest writing this paragraph as follows: <i>“In the extremely unlike circumstances where expertise in a field other than accounting or auditing is necessary to obtain sufficient appropriate audit evidence, the auditor shall determine whether to use the work of an auditor’s expert”.</i>
13	Proposed standard – item 5.5.1	We suggest that IAASB considers the possibility of allowing the auditor to communicate orally those important matters during a meeting (preferably including the audit team) with administrators/those charged with corporate governance and then summarizing those points through a 5- to 10-line memorandum or e-mail.
14	Proposed standard – Section 6	More emphasis should be given to the risk of management to override controls, as it is extremely likely in less complex entities.
15	Proposed standard – item 7.3.2	Specifically in the final part, at the end of the first paragraph, it would be timely and convenient to reinforce the need to avoid excess of reliance on completeness. When auditing a less complex entity one of the major risks is to ignore what 'may not be in the accounting records', as reviewing what has been accounted for is quite easier.
16	Proposed standard – item 7.4	Need to recommend that the auditor keeps an open mind regarding other possible risks, beyond those listed in the section. Perhaps this may be attained by including, between the title “7.4. Specific Focus Areas” and the subtitle ‘Going Concern, a line reading: <i>‘including but not necessarily limited to the following aspects’.</i>
17	Proposed standard – 7.6.1	Add to the final paragraph: ... mentioned or summarized in a short memorandum or e-mail.

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