

10 January 2022

Request for comments from the IAASB concerning *Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities*.

Thankyou for the opportunity to comment on this long overdue amendment to auditing standards.

I have long been an advocate on differential auditing standards for 'corner store' audits and my only regret of the proposed ISA for LCE is that, having just turned 60, I fear I will not be in practice long enough to actually enjoy the fruits of these changes!

Nevertheless, I applaud their introduction in the not-too-distant future.

I do have a few comments which arise from 40 years in the statutory company audit sphere in Australia predominantly in the realm of auditing less complex entities of essentially private companies, that is to say those entities that only have the following **material** balance sheet characteristics: -

1. Cash at Bank
2. Trade debtors and sundry debtors
3. Fixed Assets
4. Trade Creditors and accruals
5. Provisions for employee benefits

My comments centre on paragraph 64 (page 12/170) and request for comments – Specific questions 3-6 (page 23/170).

I would implore the IAASB to remove auditor discretion/judgement from the assessment as to whether the entity 'qualifies' as an LCE. This comment comes from my experience at dealing with many entities at this end of the market who perceive audit intrusions into their affairs as an unnecessary waste of time and expense. Unless specific thresholds are introduced on variables such as turnover, geographical operation, total gross assets and employee population there will continue to be unhealthy pressure placed on auditors to self- assess LCE status for either the chance to 'win' new clients or 'preserve' an existing client base.

I note para 64 allows for the possibility that '**specific thresholds or criteria could be used by individual jurisdictions when evaluation the use of ISA- LCE**'. I would support this position being applied to every jurisdiction with each jurisdiction being responsible for setting their own thresholds.

By adopting the threshold basis, the LCE application process obviates the need for audit professional judgement and the possibility of impairment to the independence of auditors. By this undertaking these areas are removed from ongoing professional debate and concerns of government, community and other stake holders.

The thresholds imposed should reflect societal values of government (taxation), community (worker interests), stake holders (creditors and financiers) and of course proprietors (costs and time of compliance).

In Australia we already have mandated audit thresholds pertaining to the audit of essentially large private companies where 'society' has an interest in the large private sectors ongoing compliance with laws and regulations. However, unfortunately, these rules are not strictly enforced by local authorities. Having the 'weight' of the IAASB standard will assist, in my opinion, in these entities being brought into the net of assurance review,

The only other area of my comment centres on the current exclusion of group entities from LCE consideration para 158 (page 44/170) request for comments 22-24 page 48/170. Might I suggest that LCE's include group companies where the only other 'group' entity is a wholly owned subsidiary which has the only purpose to act as the employer of the overall business and does not trade in any other industry or capacity.