

Ouagadougou, January 28, 2022

Mr. Tom Seidenstein
International Auditing and Assurance Standards Board
International Federation of Accountants
529 Fifth Avenue
New York, NY 10017
USA

V/Réf. :

N/Réf. : 2022-XXX/ONECCA/YT

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

Dear **Mr. Tom Seidenstein**

We appreciate the opportunity to comment 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 (ISA for LCE)"

We have read the draft with interest and have greatly appreciated that any stakeholder is given chance to express his view.

This letter and the bellow appendix represent the views of, the ONECCA-BF on the subjected matter.

If you have any questions regarding its content, please do not hesitate to contact us at y.traore@oneccabf.org or secretariat@oneccabf.org.

Sincerely yours

The President

Yacouba TRAORE

Membre associé

Membre

APPENDIX

OPTIONAL RESPONSE TEMPLATE: PROPOSED ISA FOR LCE

Guide for Respondents

- The International Auditing and Assurance Standards Board (IAASB) has published this separate Microsoft Word document for respondents to use for submitting their comments, if they wish. The questions below are from the exposure draft of proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities Management (ED-ISA for LCE), which is available at www.iaasb.org/publications/exposure-draft-proposed-international-standard-auditing-financial-statements-less-complex-entities.
- Respondents are asked to comment on the clarity, understandability and practicality of application of ED-ISA for LCE. In this regard, comments will be most helpful if specific aspects of ED-ISA for LCE are identified and the reasons for any concerns along with suggestions for improvement, are included. Specific suggestions for any proposed changes to wording in ED-ISA for LCE are also welcome.
- **Respondents are free to address only questions relevant to them, or all questions.** When a respondent agrees with the proposals in ED-ISA for LCE, it will be helpful for the IAASB to be made aware of this view as support for the IAASB’s proposals cannot always be inferred when not explicitly stated.
- We request that comment letters do not include tables as they are incompatible with the software we use to help analyze respondents’ comments.

Comments are requested by January 31, 2022

Name of Respondent:

Yacouba TRAORE

Organization (*where relevant*):

ONECCA-BF

Country/Region/Jurisdiction:

Burkina Faso/MEA/Burkina Faso

General Comments on Proposed ISA for LCE

Response: *[Please include here comments of a general nature and matters not covered by the questions below.]*

We support the development of the proposed ISA for LCE to fit the needs of auditors who perform audits of less complex entities even if the purpose of the ISAs covers audits of all sizes.

The IAASB has taken the right approach in developing a global solution where numerous and individual solutions are emerging throughout jurisdictions.

Specific Comments on the Preface of the proposed standard

We suggest the following editorials to paragraph P3 in the Preface:

Editorial to paragraph P3 – Paragraph P3 as currently written is misleading and strongly contradicts paragraph A11 read with paragraph A6-A7 of Part A and should be replaced with paragraph A11 or an iteration thereof. As written it assumes that the legislative and regulatory authorities or relevant local bodies can broadly decide on the type of entities where paragraph A.11 limits such a decision.

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?

Response:

We are not supportive of the standalone nature of the proposed standard as that will require new adoption process in OHADA and Burkina Faso jurisdictions. Moreover the standalone nature in our view is not aligned with the goal to set consistent, accepted unique and global standard. Furthermore, it is our view and our members' that a different standard existing in conjunction with the ISAs for the same level of assurance, even if not designed for the same type of entities, can arise in the perception of less quality or less confidence in the output for stakeholders. Finally, it can lead to an overabundance of audit standards with potential training and education difficulties or issues.

We really appreciated and supported the approach carried out during the clarity project, being ISAs with LCE consideration integrated inside.

If retained, to fully achieve the objective of a standalone standard and to achieve a consistent performance of a quality audit, the IAASB should consider the following:

- *Issue as soon as possible implementation guidance, after the release of the final standard, to support auditors by providing further explanation of the requirements and guidance for carrying them out. The standalone nature of the standards therefore requires the issue of standalone guidance and implementation materials as they may exist for ISAs.*
- *Certain users of the proposed standard may not have a working knowledge of the ISAs and will depend on Implementation Guidance to supplement their understanding of the proposed standard for consistent implementation thereof, thus, areas where implementation guidance would be particularly necessary are:*
 - *Planning*
 - *Risk assessment*
 - *Audit evidence and documentation*
 - *Materiality*
 - *Conversation with those charged with governance*

- *Accounting Estimates.*
- *Going Concern.*
- *Subsequent Events.*
- *The Authority of the proposed standard should make it clearer that the auditor cannot cherry pick a requirement(s) from the ISAs if it is not part of the core requirements in the ISA for LCE. Please refer to additional comments made in response to question 3*

(b) The title of the proposed standard.

Response:

If the standalone approach is kept, we support the title of the proposed standard having taken into account the considerations in paragraph 16 and section 5.

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

Response:

In the context of our view expressed in above paragraph (b), we support that the proposed standard has been developed to include core requirements to allow an auditor to express a reasonable assurance audit opinion.

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?

Response:

We agree with the proposed conforming amendments to the IAASB Preface.

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?

Response:

General Comments

We generally support the Specific Prohibitions (paragraphs A5-A7) - unless paragraph (d) (see our comments on section 5) - contained in the Authority of the proposed Standard. However, we have reservations about the Qualitative Characteristics (paragraphs A8-A9).

We also support the Supplemental Guidance for the Authority of the Standard much needed and useful to an auditor alongside the proposed standard in order to understand the Authority of the proposed standard in full. However auditors may not get the need to read the Authority Supplemental Guide and not obtain a full understanding authority, as the authority of a guide differ from a stan. Thus an innovative approach is required from IAASB to mitigate this risk.

Specific Comments

Authority – Specific Prohibitions

We suggest that the IAASB amends A.7 (c) based on our comments on section 5 (question 22-25) by taking into account group audits in the ISA for LCE where that group meets LCE characteristics.

Suggested editorial:

- **Editorial to paragraph A5, the ISA for LCE is used by auditors for the audit of LCE:**

“Entities that have public interest characteristics could embody a level of complexity in fact or appearance ~~and are~~. Therefore the [draft] ISA for LCE is specifically prohibited from being used for these entities using the [draft] ISA for LCE.”

Authority – Qualitative Characteristics

The Qualitative Characteristics provide a second step in determining when it would be inappropriate for an audit of financial statements of an entity to be undertaken using the proposed standard, once it has been determined that the audit engagement is not prohibited from use of the proposed standard as set out in paragraph A7.

The Qualitative Characteristics set out in paragraph A9 of the proposed standard of (i) business activities, (ii) organizational structure, (iii) ownership, (iv) oversight, (v) regulation, etc. are effective indicators against which to measure whether an entity is an LCE.

However, as drafted, these Qualitative Characteristic require the auditor to exercise professional judgment because of the use of words such as “complex”/“complexity” and “not...simple”. The use of professional judgment by auditors can lead to the inconsistent and inappropriate use of the proposed standard. There should be little room for the exercise of professional judgment. It is our view that the required use of professional judgment is too high and that a higher level of prescription is more desirable.

Paragraph A9 of the proposed standard uses the words “complex”/“complexity” nine times and “not...simple” once. Different auditors have different definitions of complexity and simplicity. For example, the use of a Black Scholes method in calculating an accounting estimate may be complex to one auditor but simple to another, depending on, perhaps, how often the auditor has audited such an accounting estimate in the past. As such, the auditor who believes that such an accounting estimate is simple, would choose to use the proposed standard, but the auditor who believes that the accounting estimate is complex, would be precluded from using the proposed standard.

This simple example illustrates how the professional judgment of an auditor can lead to the inconsistent and inappropriate use of the proposed standard.

Although the table below paragraph 28 of the Authority Supplemental Guide is somewhat helpful in providing examples of characteristics that may or may not be associated with an LCE, words like “complex” and “straightforward” are still used and provide the same concerns as with paragraph A9.

As such, we believe that the IAASB should consider amending the Qualitative Characteristics section (paragraphs A8-A9) of the proposed standard by clarifying what “complex”, “simple”, etc. means or using different ways to describe how the Qualitative Characteristics will influence the auditor’s decision as to whether an entity is an LCE.

Authority Supplemental Guide

We are supportive of the Authority Supplemental Guide and believe that it is necessary to read the Supplemental Guide alongside the Authority in the proposed standard to obtain a complete understanding of the authority of the proposed standard.

We propose that the IAASB consider the following enhancements to the Authority Supplemental Guide:

- Remove extracts from the Authority of the proposed Standard to reduce its length.*
- Make it clearer in paragraph 31 that the auditor would be prohibited from applying the requirements as illustrated in (a)-(c) in an audit of an LCE because they do not form part of the core requirements in the proposed Standard. Furthermore, include paragraph 27 of the explanatory memorandum to further illustrate this important concept.*
- As with the Qualitative Characteristics section of the proposed standard, amend the Qualitative Characteristics section of the Authority Supplemental Guide (paragraphs 24-29) by clarifying what “complex”, “simple”, etc. means or using different ways to describe how the Qualitative Characteristics will influence the auditor’s decision as to whether an entity is an LCE.*

- **Editorial to paragraph 19:**

“...For example, there may be entities within a local context that are scoped ~~in-out~~ when they, in fact, do not exhibit public interest characteristics as contemplated in paragraph 15 above...”

Based on the comments above, we are concerned that in its current form, the Authority of the proposed standard cannot be implemented in a consistent manner.

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

Response:

Refer to our response to question 3(a).

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

Response:

Refer to our response to question 3(a).

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

Response:

As addressed in our response to question 3(a), including as stated that the required use of professional judgment is too high and that a higher level of prescription is more desirable, we do not believe that the Authority, as set out, will achieve the intended objective of appropriately informing stakeholders about the scoping of the proposed standard.

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

Response:

Overall, we believe that the proposed role of legislative or regulatory authorities or relevant local bodies with standard setting authority in individual jurisdictions is clear and appropriate.

However, we encourage the IAASB to consider:

- **Editorial to paragraph A10 – reference to ISAs in the last sentence of paragraph A10 is not necessary due to the standalone nature approach of the standard.**

“...professional accountancy organizations or others as appropriate) in individual jurisdictions. This applies to the ~~International Standards on Auditing (ISAs) and the [draft] ISA for LCE.~~”

In addition, we recommend the following editorials to paragraphs A12 and A13 in the Firms and Auditors section:

- **Editorial to paragraph A12 – it will be appropriate to add “shall” (Paragraph 9 of draft CUSP Drafting Principles and Guidelines) and replace “take into account” by “consider” a more suitable “work effort verb” to make action required more prescriptive and authoritative :**

“...In doing so, the firm shall consider the specific prohibitions for use of the [draft] standard...”

- **Editorial to paragraph A13 – it will be appropriate to add “shall” (Paragraph 9 of draft CUSP Drafting Principles and Guidelines) and replace “take into account” by “consider” a more suitable “work effort verb” to make action required more prescriptive and authoritative:**

“...For this purpose, the engagement partner shall Consider:...”

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.

Responses (a) and (b):

Refer to our response to question 3(a).

5. Regarding the Authority Supplemental Guide:

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

Response:

Refer to our response to question 3(a).

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

Response:

Refer to our response to question 3(a).

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

Response:

Refer to our response to question 3(a).

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).

Response:

We support the approach taken by the IAASB as to how the ISA requirements have been incorporated in the proposed standard – using the ISAs as a departure point and replicating and adapting these requirements considered core to an audit of an LCE.

However, it is recommended that Implementation Guidance is issued as soon as possible after the issue of the final standard to support auditors by providing further explanation of the requirements and guidance for carrying them out.

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

Response:

We support the approach to the objectives of each Part of the proposed standard.

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

Response:

We agree with the principles in relation to professional skepticism and professional judgement, relevant ethical requirements and quality management.

However, it is recommended that Implementation Guidance is issued as soon as possible after the issue of the final standard to support auditors by providing further explanation of the requirements and guidance for carrying them out.

(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.

Response:

(i) We agree with the approach to the content of the EEM, including that it serves the purpose for which it is intended.

(ii) It is our belief that the EEM is sufficient. However, it is recommended that Implementation Guidance is issued as soon as possible after the issue of the final standard to support auditors by providing further explanation of the requirements and guidance for carrying them out.

(iii) We support the way that the EEM has been presented within the proposed standard

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).

Response:

We are comfortable with the overall design and structure of the proposed standard as well as the overall drafting principles. Specifically, we support that the separate standard should be based on the ISAs and retain the robustness of an audit using the ISAs to support a quality audit.

We would like to suggest that the IAASB consider the following as they finalise the proposed standard:

- *In the drafting of the proposed standard, the IAASB used the draft Complexity, Understandability, Scalability and Proportionality (CUSP), Drafting Principles and Guidelines. The proposed standard should be updated to reflect any changes made in a more advanced draft or the final CUSP Drafting Principles and Guidelines.*
- *Paragraph 2.1.3 of the draft CUSP Drafting Principles and Guidelines presented to the IAASB at its April 2021 Meeting states that “Sentences express just one idea. Sentences longer than a line and a half may be too lengthy.” In certain instances, I believe that sentences contained in the requirements of the proposed standard are unnecessarily long and complex. Please refer to my comments to questions 9-10 for detailed responses in this regard.*

This been said, it is noted that, in certain instances, sentences and paragraphs contained in the proposed standard are taken word-for-word from the ISAs, which themselves are considered unnecessarily long and complex. It is suggested that the IAASB consider making these sentences and paragraphs shorter and less complex in the proposed standard without losing the meaning of the requirement in the ISAs.

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.

Response:

Please refer below to comments on Parts 1-8 of the proposed standard.

Part 1:

No comments.

Part 2:

Comments:

- **Editorial to EEM paragraph below Paragraph 2.2.2. – Delete last sentence in second sub-paragraph already better consistent and place in the EEM below Paragraph 2.3.1.:**

“Appropriateness is the measure of the quality of the audit evidence, that is its relevance and reliability in providing support for the conclusions on which the auditor’s opinion is based. ~~The reliability of audit evidence is influenced by its source and by its nature, and dependent on the individual circumstances under which it is obtained.~~”

Part 3:

Comments:

- **Editorial to paragraph 3.2.4. – To restructure and simplify a long and complicated sentence:**

“In taking overall responsibility for managing and achieving quality through direction, supervision and review of the work, the engagement partner shall determine that:

- (a) *The nature, timing and extent of direction, supervision and review is responsive to the nature and circumstances of the engagement; and*
- (b) *The resources assigned, are in compliance with:*
 - *The firm’s related policies or procedures,*
 - *This [draft] standard,*
 - *Relevant ethical requirements and regulatory requirements.”*

Part 4:

No comments.

Part 5:

No comments:

Part 6:

- **Editorial to paragraph 6.3.2. and 6.3.3. – In terms of Paragraph 5.1.2 of the CUSP Drafting Principles and Guidelines, the term “obtain an understanding” should be used, rather than using the word, “understand”:**
 - *6.3.2.: “The auditor shall obtain an understanding how those charged with governance exercise oversight...”*
 - *6.3.3.: “The auditor shall obtain an understanding :...”*

It is suggested that this principle be consistently applied throughout the proposed standard.

- *The EEM paragraph 6.3.6. of the proposed standard lists the five components of internal control, including “control activities”. A decision were made when drafting the proposed standard not to introduce the term “control activities”, but instead to rather use the word “controls”. Paragraph 6.3.14. of the proposed standard list the “controls” (which are the controls within the “control activities” component paragraph in ISA 315 (Revised)), and only uses the word “controls”. As such, the use of the term “control activities” in the EEM paragraph may be considered confusing. **It is our view that the IAASB should consider maintaining the term “control activities” into the proposed standard** already well known and accepted (since the COSO¹ report) to avoid misunderstanding and inappropriate use when implementing the standard. Accordingly amend the term “controls” throughout the proposed standard, guides and other materials.*
- **Editorial to paragraph 6.3.16. –Sentence to long to be restructure as below:**

¹ COSO : Committee Of Sponsoring Organizations of the Treadway Commission

“For the IT applications and other aspects of the IT environment identified in paragraph 6.3.15., the auditor shall identify the related risks...”

“For the IT applications and other aspects of the IT environment identified in paragraph 6.3.15, the auditor shall identify the related risks arising from the use of IT and the entity’s general IT controls that respond to those risks. The auditor shall evaluate whether the general IT controls are effectively designed to address the risk of material misstatement at the assertion level, or effectively designed to support the operation of other controls, and determine whether the control has been implemented by performing procedures more than inquiry.”

- **Editorial to EEM paragraph below Paragraph 6.5.4.:**

“...unless the risk is of a type specified to be treated as a significant risk as set out in paragraphs 6.5.7.4.–6.5.5...”

- **Paragraph 6.5.11.**

In our view the last sentence below paragraph 6.5.11. should be amended as following:

“... ”

In circumstances where audit evidence, or new information, is obtained, which is inconsistent with the auditor’s original determination for using the [draft] ISA for LCE, the auditor may need to change the original determination to use the [draft] ISA for LCE and consider whether that change may necessitate a modification to the terms of engagement.”

A support material on how an auditor would transition out of the proposed standard to the ISAs should the application of the proposed standard no longer be appropriate, will be useful for an appropriate implementation.

Part 7:

Comments:

- **Editorial to paragraph 7.3.12.(a) –Restructure the long and complex sentence as below:**

Consider:

- The effectiveness of the components of the internal control system;₅
- The risks from the characteristics of the control (e.g., manual or automated);₅
- The effectiveness of general IT controls;₅
- The effectiveness of the control and its application by the entity;₅
- Whether the lack of a change in a particular control poses a risk due to changing circumstances;₅
and
- The risk of material misstatement and the extent of reliance on the control planned.

Part 8:

No comment

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.

Responses:

(a) The presentation, content and completeness of Part 9:

- *We agree with the presentation, content and completeness of Part 9.*
- **Editorial to the International Auditors Report – Basis for Opinion on page 141 of 170:**

The title of the ISA for LCE should read" International Standard on Auditing for Audits of Financial Statements of Less Complex Entities and not International Standard for Auditing on Audits of Financial Statements of Less Complex Entities.

It is our view that the IAASB should consider comments in paragraph 16 (ISA 800 series inclusion) and section 5 (group audits considerations) related to the title of the standard.

(b) The approach to include a specified format and content of an unmodified auditor's report as a requirement?

- *Yes, we agree with this approach.*

(c) The approach to providing example auditor's reports in the Reporting Supplemental Guide.

- *Yes, we agree with the inclusion of example auditor's reports in the Reporting Supplemental Guide.*

11. With regard to the Reporting Supplemental Guide:

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

Response:

We support the development of the Reporting Supplemental Guide which we find necessary and helpful.

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

Response:

None

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.

Response:

We have no additional comments

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?

Response:

None

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

Response:

Not Applicable

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

Response:

Yes, we agree with the proposed approach to future updates and maintenance.

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

Response:

Yes, we do not have any objection to early adoption and support it.

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

Response:

Yes, in our jurisdiction assurance engagements within the scope of ISA-800 series are commonly required by Less Complex Entities. Thus the standalone nature of the [draft] ISA for LCE should require the ISA 800 series being taken into account for the standard to be complete and consistent with needs of auditors and stakeholders.

It is suggested that IAASB modifies any wording of the name/title of the standard to reflect that choice and amend any other relevant wording accordingly.

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.

Response:

Yes, the proposed standard will be used in the jurisdiction after adoption by Burkina Faso PAO as well as the Organization for the Harmonization of Business Law in Africa (OHADA) region (17) countries.

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

Response:

Yes, the standard meets the needs of auditors, audited entities, users of audited financial statements and other stakeholders.

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

Response:

Refer to the concerns reported above on judgment when deciding if the LCE should be used (scope and authority)

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?

Response:

None

Section 4G - Approach to Consultation and Finalization

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

Response:

In our view the following documentation would be useful for the implementation:

- *Implementation guidance including examples et templates,*
- *Q&A tools on the standard, guides and implementation materials,*
- *Factsheets,*
- *Recorded vulgarisation webinars*
- *Practice statements.*

Implementation Guidance issued as soon as possible after the issue of the final standard will strongly support auditors by providing further explanation of the requirements and guidance for carrying them out.

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.

Response:

Yes, technical content is difficult to translate ensure that key terminologies are defined and avoid long sentences like:

P.6 *“...Law or regulation may establish the responsibilities of management, and those charged with governance, in relation to financial reporting. This [draft] standard does not impose responsibilities on management or those charged with governance and does not override law or regulation that govern their responsibilities. However, an audit in accordance with this [draft] standard is conducted on the premise that management, and where appropriate, those charged with governance have acknowledged certain responsibilities that are fundamental to the conduct of the audit.”*

P20: *“...The IAASB will consider the impact on the [draft] ISA for LCE as part of a project to revise or develop a new ISA, and a determination made as to the urgency for the need for a change to this [draft] standard. In developing the exposure draft of the changes for the [draft] ISA for LCE, the IAASB will consider any specific issues that have been brought to the attention of the IAASB regarding application of the ISA for LCE. The IAASB expects that there will be a period of at least eighteen months between when amendments to the ISA for LCE are issued and the effective date of those amendments.”*

A10. *“Decisions about the required or permitted use of the IAASB’s International Standards rest with legislative or regulatory authorities or relevant local bodies with standard-setting authority (such as regulators or oversight bodies, national standard setters, professional accountancy organizations or others as appropriate) in individual jurisdictions.”*

1.5. *Fraud: “.....*

When obtaining reasonable assurance, the auditor is responsible for maintaining professional skepticism throughout the audit, considering the potential for management override of controls and recognizing the fact that audit procedures that are effective for detecting error may not be effective in detecting fraud.”

Considerations Specific to Public Sector Entities

“The public sector auditor’s responsibilities relating to fraud may be a result of law, regulation or other authority applicable to public sector entities or separately covered by the auditor’s mandate. Consequently, the public sector auditor’s responsibilities may not be limited to consideration of risks of material misstatement of the financial statements, but may also include a broader responsibility to consider risks of fraud.”

1.7. *Related parties*

“...

However, the nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial statements than transactions with unrelated parties. Related parties, by virtue of their ability to exert control or significant influence, may be in a position to exert dominant influence over the entity or its management. Consideration of such behavior is relevant when identifying and assessing the risks of material misstatement due to fraud.”

“3.2.4. In taking overall responsibility for managing and achieving quality through direction, supervision and review of the work, the engagement partner shall determine that the nature, timing and extent of

direction, supervision and review is responsive to the nature and circumstances of the engagement and the resources assigned, in compliance with the firm's related policies or procedures, this [draft] standard, relevant ethical requirements and regulatory requirements."

4.7.1. "The auditor shall communicate with those charged with governance the auditor's responsibilities for forming and expressing an opinion on the financial statements prepared by management, and that the auditor's responsibilities do not relieve management or those charged with governance from their responsibilities for oversight of the preparation of the financial statements."

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.

Response:

We believe that this would not be sufficient. We suggest at least 24 months to allow adoption process going to its end.

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.

Response:

While we appreciate the logic provided by the IAASB in their views to exclude group audits from the scope of the proposed standard, we are of the view that not all groups are not complex and as such cannot be a "one size fits all" approach to group audits. We therefore encourage the IAASB to consider a more innovative approach to addressing group audits.

If the IAASB considers including group audits in the [Draft] ISA for LCE, it then suggested to modify section A Authority of the [Draft] ISA to withdraw group audit exclusion (c) and edit the wording of the name of the standard to reflect that choice and amend any other relevant wording accordingly.

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?

Response:

Yes, for consistency with the standalone nature of the standard we will be using two sets of standards (ISA and ISA for LCE) with requirements of group audits in ISA 600 Special Considerations – Audits of Group Financial Statements (Including the work of Component Auditors) used for entities excluded from the ISA for LCE.

(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?

Response:

Not applicable

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

Response:
Not applicable

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
 - (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.

Response:
ONECCA-BF members have shown an overwhelming preference for option (b) considered more consistent with the basic premise of ED-ISA for LCE as the standard will applies to entities that are less complex, whether or not it is an audit of group financial statements, or whether component auditors are involved, the audit is performed across multiple jurisdictions, etc.

Furthermore we believe a supplementary documentation about the determination of the appropriateness of using ED-ISA for LCE, being “Application and Other Explanatory Material” paragraphs or implementation guides will lower the risks of a misuse of the standard perceived by certain stakeholders.

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?

Response:
No

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.

Response:
For avoiding confusion and misunderstanding, ease of referencing and use of the standard, our preference goes to option (a) as considerations related to group would be akin to “special considerations” and not necessarily relevant for all audits.