Supplement 1-03 to Agenda Item 4

Audits of Less Complex Entities – ED-ISA for LCE – Q9 (Part 7, excluding responses on accounting estimates and specific documentation requirements)

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 9 - Views on the content of Parts 1 through 8 of ED-ISA for LCE\2) Responses on Parts 1 through 8\Part 7\a. General

4. National Auditing Standard Setters

Institut der Wirtschaftspruefer in Deutschland e.V. (IDW)

Part 7

We note that if the IAASB were to follow our proposals for Part 6, then the wording for Part 7 would be simpler and easier to understand, as is the case in our German LCE standards. It seems to us that paragraph 7.4.16. is redundant, because it is covered by the general requirement to respond to assessed risks of material misstatement. We also believe that all of the EEM included is not necessary and can be deleted with the exception of that to paragraphs 7.3.6., 7.4.1., 7.4.5., 7.5.1., and 7.6.1. However, we do believe that the application material in the second last sentence of paragraph A4 of ISA 330 from the conforming amendments to ISA 315 (Revised 2019) needs to be included in the EEM to clarify that auditors need not respond to risks of material misstatement that are assessed at an acceptably low level (of course, if the IAASB were to restructure Part 6 and the related definitions as we propose above, this would not be necessary). In addition, we also believe that the application material to ISA 500 paragraph A53 should be introduced prior to paragraph 7.3.5. to clarify the difference between sampling and other selection.

5. Accounting Firms

Mazars

General comment: The order of obtaining audit evidence in ISA is through Test of Controls, Substantive procedures (Substantive analytical procedures and test of details). In Part 7 the order is Substantive procedures (test of detail and substantive analytical procedures) and test of controls. In the EEM to 7.3.1 the order is as in ISA. We think that the order of planned response to the risk on material misstatement should be the same within Part 7 and preferably with the order as in ISA.

Part 7: Responding to Assessed RMM

In general requirements are same as ISA.

7. Professional Accountancy and Other Professional Organizations

Chamber of Auditors of the Czech Republic

PART 7: RESPONDING TO ASSESSED RISKS OF MATERIAL MISSTATEMENT

We support the IAASB’s decision not to require two separate documents for audit strategy and audit plan. However, we believe that using one document (audit plan) where the conclusions about risk assessment on the level of balances in the balance sheet/transactions in the income statements and assertion level are linked to audit response is very useful and increase audit quality. The identified risks could be spread over several documents and the auditor may forget to plan relevant audit response. Therefore, we believe that an audit plan as one document agreed by the engagement leader should be an integral part of the audit documentation.

Institute for the Accountancy Profession in Sweden (FAR)

Part 7:

General comment: The order of obtaining audit evidence in ISA is through Test of Controls and Substantive procedures (Substantive analytical procedures and test of details). In Part 7 the order is Substantive procedures (test of detail and substantive analytical procedures) and test of controls. In the EEM to 7.3.1 the order is as in ISA. We think that the order of planned response to the risk of material misstatement should be the same within Part 7 and preferably with the order as in ISA.

Nordic Federation of Public Accountants

PART 7: RESPONDING TO ASSESSED RISKS OF MATERIAL MISSTATEMENT

The order of obtaining audit evidence in the ISAs is first through Test of Controls and then through Substantive procedures (substantive analytical procedures and test of details). In Part 7 the order is the opposite, except for in the EEM to 7.3.1. We think that the order of planned response to the risk of material misstatement should be consistent throughout Part 7 and preferably aligned with the order presented in the ISAs.

South African Institute of Chartered Accountants (2)

Part 7: Responding to assessed risks of material misstatement
88. Part 7 has included the relevant requirements from ISAs 240, 250, 265, 330, 402, 450, 500, 501, 505, 520, 540, 550, 570 and 620 relating to responding to the various risks which are identified during an audit engagement.
89. For the most part, the requirements in these ISAs have been condensed and combined into bullet points in one overarching part, which allows for easier reading and application of the requirements of all the standards noted above.
90. Lengthy descriptions from the original ISAs have been removed, but the procedures required to be performed by auditors have not been lessened in any form.

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

PART 7: RESPONDING TO ASSESSED RISKS OF MATERIAL MISSTATEMENT
The EEM for this part can be more detailed.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 9- Views on the content of Parts 1 through 8 of ED-ISA for LCE\2) Responses on Parts 1 through 8\Part 7b. Specific Drafting Comments\7.1 Objectives

4. National Auditing Standard Setters
American Institute of Certified Public Accountants

The following represents those ISA paragraphs and corresponding ISA for LCE paragraphs that we assigned a “B” rating – meaning that omission or revision of the ISA requirement might create an issue for auditors when any one item is aggregated with another or others. We are pleased to provide additional information if requested.
From Mapping Document #1
ISA 530, paragraph 4/ISA for LCEs paragraph 7.1.1 (c)
ISA 570, paragraph 9/ISA for LCEs paragraph 7.1.1 (c)

5. Accounting Firms
PriceWaterhouseCoopers

Appendix 3 - Detailed Comments
Draft Standard

The section below sets out our other observations and editorial comments by paragraph within the ED. These comments are intended to be read in addition to our overarching comments in our cover letter and appendices 1 & 2 regarding the need for more extensive revisions to the requirements of the standard to better distinguish the ISA for LCE from the ISAs.

Part 7 - Responding to Assessed Risks of Material Misstatement
Paragraph 7.1.1(d) - While we recognise this represents part of the objective of ISA 250 (Revised) we question the omission of the more important element of the ISA 250 (Revised) objective, being to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the financial statements.

7. Professional Accountancy and Other Professional Organizations
Self-Regulatory Organization of Auditors Association (SRO AAS)

Paragraph: 7.1.2.

Text of the standard statement: -

Comments: There is no paragraph 7.1.1.

South African Institute of Chartered Accountants (2)

91. Below is a list of comments in relation to Part 7:
The first section is numbered as 7.1.2, but should be 7.1.1
Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 9 - Views on the content of Parts 1 through 8 of ED-ISA for LCE\Part 7\b. Specific Drafting Comments\Section 7.2 Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Financial Statement Level

4. National Auditing Standard Setters
Canadian Auditing and Assurance Standards Board

In its 2019 Discussion Paper, the IAASB asked stakeholders to identify aspects of the ISAs that are difficult to apply in audits of LCEs (referred to as “pain points”). Our response letter to that Discussion Paper identified the pain points, based on feedback from our stakeholders.

The IAASB has replicated many of these pain points in ED-ISA for LCE with no additional guidance. As a result, ED-ISA for LCE may not effectively respond to the needs of stakeholders as a solution for audits of LCEs.

Stakeholders have told us that pain points in ISA 315 (Revised 2019) and ISA 240 are creating the greatest difficulty in practice. We recently completed a root cause analysis of each significant pain point in ISA 315 to determine whether it has been addressed in ISA 315 (Revised 2019). For those pain points that continue to exist, we determined whether it is caused by a flawed requirement, or misinterpretation and misapplication of the standard that can be addressed with non-authoritative guidance.

We determined that some of the pain points were addressed in ISA 315 (Revised 2019) either through reworded requirements or the addition of application material. For the pain points that were not addressed in ISA 315 (Revised 2019), we provided input into the development of non-authoritative guidance in Canada, Implementation tool for auditors: Revised CAS 315, that emphasizes the scalability of the standard with a focus on LCEs.

We are encouraged by the recently approved project proposal to revise ISA 240; the pain points stakeholders identified will be considered in the project. We believe that this is an area where revisions to ISA for LCE resulting from revisions to ISA 240 is a priority.

We list below the specific pain points in ED-ISA for LCE that have been replicated from the ISAs. There may be others. We suggest that the IAASB revisit the feedback received on its Discussion Paper and consider addressing the pain points in ED-ISA for LCE by modifying relevant requirements or adding EEM.

We believe that if the pain points are addressed, it will enhance audit quality. Practitioners may also achieve significant efficiencies in performing audits of LCEs, resulting in a better uptake of the standard.

Incorporate an element of unpredictability in the selection of procedures (ISA 240, paragraph 30(c) / ISA for LCE paragraph 7.2.2). This paragraph requires the auditor to incorporate an element of unpredictability in the design and selection of the nature, timing and extent of audit procedures. Stakeholders indicated this can be challenging when taking a fully substantive audit approach, where many (if not all) transactions and balances are examined. In such circumstances, it can be difficult to determine what may be an effective unpredictability procedure.

5. Accounting Firms
Mazars

7.2.1 blue box – Agree with this point. More guidance to what extent we can rely on the control environment and how we are able to sufficiently document this is relevant for LCE companies, where for owner-managed business oversight procedures are often in place but not formalized or documented.

7. Professional Accountancy and Other Professional Organizations
South African Institute of Chartered Accountants (2)

The responses to risks of material misstatements due to fraud and error have been combined where appropriate.

8. Academics
Hunter College Graduate Program

Section 7.2.2 (a) (ED Pg 114)
Assign and supervise personnel taking into account the knowledge, skill, and ability of the individuals to be given significant engagement responsibilities and the auditor’s assessment of the risks of material misstatement due to fraud or error for the engagement;

Section 7.2.2 (c) (ED Pg 114) [Below sentence is missing ‘,’ after ‘timing’.]
Incorporate an element of unpredictability in the selection of the nature, timing, and extent of audit procedures.
9. Individuals and Others

ASK KSA Consulting Inc.

Part 7: Responding to Assessed Risks of Material Misstatement

We have the following comments related to risk response:

Paragraph 7.2.2 (c) Element of unpredictability. This is one of the challenges faced by auditors in the audits of LCEs. The auditor is currently required to incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures. However, this can be challenging in the audit of an LCE, especially when a substantive approach is taken. Even with a risk-based approach, when auditing an LCE many balances and transactions are examined in detail. The purpose of an unpredictability procedure is to address the risk of fraud and should be effective. In the case where a substantive audit approach is taken, it can be problematic to determine what an effective unpredictability test might be. To just add an extra 10 invoices to the expense testing, is not going to accomplish anything and is a waste of time. We recommend that unpredictability procedures are not required in certain circumstances.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 9- Views on the content of Parts 1 through 8 of ED-ISA for LCE\2) Responses on Parts 1 through 8\Part 7\b. Specific Drafting Comments\7.3 Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level

3. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies

Audit procedures - sampling

There is no guidance on the way to determine the size of the samples, whereas in ISA 530, appendices 2 and 3 list the factors that can influence the sample size. Adding guidance within paragraph 7.3.5 on audit sampling on that matter seems useful to help the auditor determining the size of the samples.

Independent Regulatory Board for Auditors (IRBA)

ISA Paragraph Reference: ISA 330, paragraph 17
ISA for LCE Paragraph Reference: Part 7, paragraph 7.3.15.
Proposed Wording Change: “... the auditor shall make specific inquiries to understand the deviations and their potential consequences, The auditor shall determine including whether: ...”
Comment: Paragraph 17 of ISA 330 requires that the auditor “shall make specific inquiries to understand these matters and their potential consequences, and shall determine whether: ...” whereas, paragraph 7.3.15. of the proposed standard requires that: “If deviations from controls, upon which the auditor intends to rely, are detected, the auditor shall make specific inquiries to understand the deviations and their potential consequences, including whether: ...”.
The proposed standard has “lost” the work effort verb of “determine” and only requires the auditor to “make specific inquiries to understand”. The verb “determine” is high on the “Work Effort Spectrum” and is a strong “work effort verb” – it should not be lost. We suggested that paragraph 7.3.15. of the proposed standard be amended to introduce the work effort verb “determine”.

ISA Paragraph Reference: ISA 402, paragraph 10
ISA for LCE Paragraph Reference: Part 7, paragraph 7.3.17.
Proposed Wording Change: If the entity uses the services of a service organization, the auditor’s understanding of the information system shall include:

... (d) Controls at the service organization relevant to the entity’s transactions; and
(e) The controls applied to transactions with the service organization.
When obtaining an understanding of controls, the auditor shall evaluate the design and implementation of relevant controls at the entity that relate to the services provided by the service organization, including those that are applied to the transactions processed by the service organization,

Comment: Paragraph 10 of ISA 402 requires the auditor to perform design and implementation (D&I) of controls. However, this requirement has not been included in the proposed standard.
Risk identification and assessment at the service organisation cannot be achieved without performing D&I. We suggest that paragraph 7.3.17. of the proposed standard be amended to include that the auditor performs D&I of controls identified, as required by paragraph 10 of ISA 402.
Audits of Less Complex Entities – Supplement 1-03 to Agenda Item 4  
IAASB Main Agenda (June 2023)

Editorial changes to paragraph 7.3.12.(a) – This sentence is long and complicated. It is suggested that it be broken down by introducing sub-bullets:

“Consider:
I. The effectiveness of the components of the internal control system;
II. The risks from the characteristics of the control (e.g., manual or automated);
III. The effectiveness of general IT controls;
IV. The effectiveness of the control and its application by the entity;
V. Whether the lack of a change in a particular control poses a risk due to changing circumstances; and
VI. The risk of material misstatement and the extent of reliance on the control planned”.

Editorial changes to paragraph 7.3.12.(a)-(b):
Formatting: It appears as if the paragraph spacing is different from the rest of the document and appears to be “aligned left” rather than “justified”. It is suggested that it be corrected.

Irish Auditing and Accounting Supervisory Authority
Audit procedures - sampling
The proposed standard provides no guidance on how to determine sample sizes. In contrast, appendixes 2 and 3 of ISA 530 list the factors that can influence sampling size. Adding guidance within paragraph 7.3.5 on audit sampling would be useful to help the auditor when determining sample sizes.

4. National Auditing Standard Setters
American Institute of Certified Public Accountants
The following represents those ISA paragraphs and corresponding ISA for LCE paragraphs that we assigned a “B” rating – meaning that omission or revision of the ISA requirement might create an issue for auditors when any one item is aggregated with another or others. We are pleased to provide additional information if requested.
From Mapping Document #1
ISA 530, paragraph A9/with ISA for LCEs paragraph 7.3.6
ISA 505, paragraph 15/ - (omitted from Exposure Draft)
ISA 330, paragraph 13/ISA for LCEs paragraph 7.3.12
ISA 330, paragraph 17/ISA for LCEs paragraph 7.3.15
ISA 330, paragraph 22/ISA for LCEs paragraph 7.3.19
ISA 330, paragraphs A19 and A17/with ISA for LCEs paragraph 7.3.2
ISA 330, paragraph A48/with ISA for LCEs paragraph 7.3.20
ISA 402, paragraph 10/ISA for LCEs paragraph 7.3.17

Austrian Chamber of Tax Advisors and Public Accountants (KSW)
Part 7: Responding to Assessed Risks of Material Misstatement
Just to reflect the sequence of procedures of an audit as described in section 7.3., we suggest that the sequence of the descriptions of the various audit procedures should be reconsidered, e.g., substantive analytical procedures should be positioned after test of controls.

At the beginning of paragraph 7.3.5. to audit sampling, we recommend including ISA 500.10. Further, important guidance of ISA 500.A63 is missing and should be included as well.

Just to avoid any misunderstanding, the first sentence in paragraph 7.3.6. should be reworded as follows: “For tests of details, the auditor shall project misstatements found in the sample to the population.”

In our opinion, the important guidance of ISA 500.A14 to .A24 is missing in paragraph 7.3.16. and should be included in this standard as well.

Canadian Auditing and Assurance Standards Board
In its 2019 Discussion Paper, the IAASB asked stakeholders to identify aspects of the ISAs that are difficult to apply in audits of LCEs (referred to as “pain points”). Our response letter to that Discussion Paper identified the pain points, based on feedback from our stakeholders.
The IAASB has replicated many of these pain points in ED-ISA for LCE with no additional guidance. As a result, ED-ISA for LCE may not effectively respond to the needs of stakeholders as a solution for audits of LCEs. Stakeholders have told us that pain points in ISA 315 (Revised 2019) and ISA 240 are creating the greatest difficulty in practice. We recently completed a root cause analysis of each significant pain point in ISA 315 to determine whether it has been addressed in ISA 315 (Revised 2019). For those pain points that continue to exist, we determined whether it is caused by a flawed requirement, or misinterpretation and misapplication of the standard that can be addressed with non-authoritative guidance.

We determined that some of the pain points were addressed in ISA 315 (Revised 2019) either through reworded requirements or the addition of application material. For the pain points that were not addressed in ISA 315 (Revised 2019), we provided input into the development of non-authoritative guidance in Canada, Implementation tool for auditors: Revised CAS 315, that emphasizes the scalability of the standard with a focus on LCEs.

We are encouraged by the recently approved project proposal to revise ISA 240; the pain points stakeholders identified will be considered in the project. We believe that this is an area where revisions to ISA for LCE resulting from revisions to ISA 240 is a priority.

We list below the specific pain points in ED-ISA for LCE that have been replicated from the ISAs. There may be others. We suggest that the IAASB revisit the feedback received on its Discussion Paper and consider addressing the pain points in ED-ISA for LCE by modifying relevant requirements or adding EEM.

We believe that if the pain points are addressed, it will enhance audit quality. Practitioners may also achieve significant efficiencies in performing audits of LCEs, resulting in a better uptake of the standard.

Part 7 – Responding to Assessed Risks of Material Misstatement
We note the following pain points:
Sample design, size and selection of items for testing (ISA 530, paragraphs 7-8 / ISA for LCE paragraphs 7.3.5.(a)-(c)). These paragraphs require the auditor to determine a sample size sufficient to reduce sampling risk to an acceptably low level and select items for the sample in such a way that each sampling unit in the population has a chance of selection. Stakeholders thought that there is uncertainty around what is needed to support the judgment around the determination of a sample size sufficient to reduce sampling risk to an acceptably low level.

Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l’Ordre des Experts-Comptables
Finally, we consider that the links between the following topics should be further explained, i.e. audit sampling, tests of controls, tests of details, substantive procedures. These clarifications could be developed either in parts 7.3.5 to 7.3.10 of the draft ISA for LCE or in a separate application guide.

Hong Kong Institute of Certified Public Accountants
EEM is designed to provide further explanation relevant to a sub-section or a specific requirement. However, we note that not all concepts or requirements in the ED are explained to the extent necessary for a proper understanding thereof. We are concerned as to the sufficiency of EEM, particularly given the standalone nature of the ED.

For instance, audit sampling is dealt with in paragraphs 7.3.5 to 7.3.7 of the ED with only one EEM on misstatements projection. This is a big contrast to ISA 530 Audit Sampling, of which the length of the application and other explanatory material is similar to that of the requirements. We also compare the sufficiency of EEM to ISA 315 (Revised 2019) and ISA 540 (Revised). The length of the application and other explanatory material in the latter two ISAs is several times that of the corresponding requirements.

Institut der Wirtschaftspruefer in Deutschland e.V. (IDW)
In addition, we also believe that the application material to ISA 500 paragraph A53 should be introduced prior to paragraph 7.3.5. to clarify the difference between sampling and other selection.

5. Accounting Firms
BDO International
Part 7 - Responding to Assessed Risks of Material Misstatement
Suggestions re Requirements:
Paragraphs 7.3.4 - The ordering could better mirror the flow of an audit and highlight the impact of doing tests of controls on substantive audit responses if you moved the subsection on ‘Substantive Analytical Procedures’ (currently 7.3.4) to after the subsection on Substantive Procedures (currently 7.3.16 to 7.3.19). This will result in the ordering of the subsections being:

1. Audit procedures responsive to the assessed risks of material misstatement at the assertion level
2. Audit sampling
3. Tests of controls
4. Substantive procedures
5. Substantive analytical procedures
6. External confirmations, etc.

Suggestions re EEM:
Paragraph 7.3.5 - Additional EEM on the following topics would be helpful:
How to select a sample which is representative of the whole population.
Clarifying that audit sampling is not the only way to select items for testing (for example, selecting specific items may be an appropriate response to an identified risk, even though every item in that population may not have had a chance of selection, and therefore the conclusion from the test cannot be extrapolated over the whole population).

**Crowe Macro Brazil**

Proposed standard – item 7.3.2
Specifically in the final part, at the end of the first paragraph, it would 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.

**Ernst & Young Global Limited**

Substantive Analytical Procedures 7.3.4 – More guidance is needed on how to operationalize Substantive Analytical Procedures for LCEs.

Tests of Controls 7.3.12 – This paragraph is difficult to read. We suggest that the requirements in parts (a) and (b) of the paragraph be broken down into bullets to make them more readable. Additionally, the requirement in the ED-ISA for LCE does not include the requirement from ISA 330.13 for the auditor to consider whether there have been personnel changes affecting the application of a control. We believe that personnel changes are a common situation for all audits. We suggest that the IAASB include the requirement in the ED-ISA for LCE from ISA 330.13.

Tests of Controls 7.3.15 – The requirement from ISA 330 paragraph 17 included in ED-ISA for LCE requires auditors to make inquires to understand the deviations and the potential consequences of control issues. We do not believe that the modified requirement included in ED-ISA for LCE properly depicts the requirements of ISA 330.17. We suggest that the ED-ISA for LCE use the requirement as worded in ISA 330.17.

Substantive Procedures 7.3.19 – The requirement from ISA 330.23 (If misstatements that the auditor did not expect when assessing the risks of material misstatement are detected at an interim date, the auditor shall evaluate whether the related assessment of risk and the planned nature, timing or extent of substantive procedures covering the remaining period need to be modified) should be included in ED-ISA for LCE. Unexpected interim misstatements can occur in an audit of an LCE. We suggest the IAASB include the requirements from ISA 330.23 in the ED-ISA for LCE.

Audit Sampling 7.3.5 and 7.3.6 – The ED-ISA for LCE has eliminated a significant portion of the requirements in ISA 530. We believe that the concept of sampling is integral to an audit and believe all requirements from ISA 530 should be included in the ED-ISA for LCE as sampling is a fundamental audit procedure for fully substantive audits, in particular. We suggest the IAASB revisit the requirements from ISA 530 that have been excluded from the ED-ISA for LCE.

External Confirmations 7.3.23 and 7.3.25 – There is no guidance or EEM that addresses situations when a response to a positive confirmation request is necessary to obtain sufficient appropriate audit evidence (ISA 505.13). ISA 505.13 contains an important provision that when the auditor requires a positive confirmation, alternative procedures will never be appropriate. We believe what is specified in ISA 505.13 is a different connotation than what the ED-ISA for LCE implies in 7.3.23 and 7.2.25. We suggest that this be revised by the IAASB.

**ETY sas**

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;
The risks from the characteristics of the control (e.g., manual or automated);
The effectiveness of general IT controls;

The effectiveness of the control and its application by the entity;

Whether the lack of a change in a particular control poses a risk due to changing circumstances; and

The risk of material misstatement and the extent of reliance on the control planned.

**Grant Thornton International Limited**

Part 7. Responding to Assessed Risk of Material Misstatement

We have the following observations in relation to Part 7 of ED-ISA for LCE:

Paragraph 7.2.2(c) requires the auditor to incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures. EEM on how this might be achieved in an audit of a less complex entity, which is often largely substantive, would be helpful.

Paragraph 7.3.2(d) requires the auditor to design and perform tests of controls if the auditor intends to rely on the operating effectiveness of the control. We note that identified controls in the audit of a less complex entity are often management review controls, but there is not always documented evidence of that control. We are of the view that it would be helpful to include EEM here that provides guidance to the auditor on how management review controls could be used when testing operating effectiveness.

Test of Controls – This section includes the requirements allowing the auditor to use audit evidence about the operating effectiveness of controls obtained in previous periods, however, unlike ISA 330 paragraph 14, it does not provide a limit on how long the auditor is allowed to use evidence from previous periods before being required to update the testing of the operating effectiveness of the control. We note that the rationale provided in the Mapping Document is that the requirement has been modified for the general circumstances of an audit of an LCE, however, we are of the view that a maximum period of time needs to be established in which the auditor may rely on testing from a prior period and, as such, recommend that a time limit is established in the Proposed Standard, with consideration being given as to whether the three years included in ISA 330 remains an appropriate time period.

**Price Bailey LLP**

Part 7 - Sampling section will be very relevant some additional guidance would be useful.

**PriceWaterhouseCoopers**

Appendix 3 - Detailed Comments

Draft Standard

The section below sets out our other observations and editorial comments by paragraph within the ED. These comments are intended to be read in addition to our overarching comments in our cover letter and appendices 1 & 2 regarding the need for more extensive revisions to the requirements of the standard to better distinguish the ISA for LCE from the ISAs.

Paragraph 7.3.3 - We suggest paragraphs A63 and A66 of ISA 500 represent important contextual guidance that should be incorporated as EEM.

Paragraphs 7.3.4 and 7.3.5 - Given they have entire ISAs dedicated to them, we question whether the omission of almost all application material from these ISAs can support consistent interpretation and application of the requirements.

Paragraph 7.3.16 - In revising ISA 315 in 2019, there was clear evidence that paragraph 18 of ISA 330 is not well understood. We believe some supporting EEM is needed to address this confusion. At a minimum, we suggest paragraphs A42 and A42a of ISA 300, as amended by the conforming and consequential amendment arising from ISA 315 (Revised 2019), be included.

**6. Public Sector Organizations**

**Office of the Auditor General of Alberta**

Part 7

Section 7.3.1 would be improved by clearly stating, “If the risk of material misstatement were due to fraud, the risk is required to be a significant risk.”

Section 7.3.16 is important and clear and needs to remain.

**Swedish National Audit Office**

Part 7 Responding to assessed risk of material misstatement

7.3.6 – The requirement states that the auditor should project misstatements found in the samples for the population. This is statistically not possible unless you use a statistically designed random sampling method. The question is whether there is a need to use statistically random sampling methods for an audit of a LCE? This means that the requirements are stricter, than for a non LCE. When auditing a small, less complex entity you may also audit all transactions or just chose the transactions you find to be suspicious or high risk.
7.3.5 and 7.3.7 – It is not clear whether these paragraphs refer to test of details or sampling as a technique. Sampling may be used when selecting control activities to test. Therefore paragraph 7.3.7 is a bit unclear. It is not the result of the sample that is relevant – instead it would be whether the test of details have provided a reasonable assurance.

7. Professional Accountancy and Other Professional Organizations

ASSIREVI

The content of the proposed standard is exhaustive for the general parts. Reference should be made to our response to question 7 for the content of the EEM. Specifically, with respect to section 7 of the proposed standard, the ISA 500 series about audit evidence are particularly sacrificed given their reduction for the audit of LCEs. While Section 7 covers the issue of audit evidence, it does not include the guidance, explanatory material and appendices, especially in relation to the issues covered by ISA 505 (external confirmations), ISA 520 (analytical procedures) and ISA 530 (audit sampling), which are very useful in practical terms. The guidance of these standards and the examples could be included in the proposed standard to make it clearer. Appendix 1 includes a summary of aspects that we believe should be included in ED-ISA for LCE.

Appendix 1

To support our response to question 9, we summarise below the aspects included in some of the ISA 500 series which should be included in ED-ISA for LCE.

With respect to the external confirmations, they are dealt with very generically in the proposed standard (paragraph 7.3.20 and following paragraphs), merely stating that they are audit evidence, that the auditor shall maintain control over the procedure and consider the consequences of a refusal by a client to prepare and send the confirmation requests.

We recommend one or more additional paragraphs be included to specify:

- the definition of an external confirmation;
- its objective;
- how the confirming parties are selected;
- the evaluations of the responses;
- the evaluation of the audit evidence obtained;
- the procedures to be performed in the case of an unreliable response;
- the procedures to be performed in the case of non-responses.

With respect to analytical procedures, the proposed standard (paragraph 7.3.4) requires the auditor to check if they are suitable given their purpose (and the given assertion) and reliable. It also states that any inconsistencies should be investigated.

We recommend one or more additional paragraphs be included to better specify:

- the definition of the analytical procedures;
- their objective;
- when it is appropriate to use them, considering the assertions to be checked;
- the difference between analytical procedures used to gain an understanding of the client and analytical procedures used to obtain audit evidence.

With respect to sampling as part of the tests of controls and substantive procedures, paragraph 7.3.5 and following paragraphs provide a generic description: the auditor should consider the purpose of the audit procedures and determine a sample size sufficient to reduce the audit risk for a certain area/assertion, perform audit procedures and evaluate the results (while making sure the effect of unusual or non-recurring misstatements is not projected onto the entire population).

Once again, we suggest that one or more additional paragraphs be included to cover:

- the objective of the sampling;
- the definition of the sample, its size and selection of the items to be checked, distinguishing between tests of controls and substantive procedures;
- the nature and cause of misstatements and deviations, again distinguishing between tests of controls and substantive procedures;
- the projection of misstatements;
- the evaluation and reliability of the sample results;
- information about factors that affect the size of the sample in the tests of controls;
- information about factors that affect the size of the sample in the substantive procedures.

In addition, the appendices of ISA 530 that illustrate the various methods to select samples could be included.

Institute of Chartered Accountants in England and Wales

PART 7: RESPONDING TO ASSESSED RISKS OF MATERIAL MISSTATEMENT

7.3.5: material on audit sampling is a little light given this is likely to be used. More EEM may be needed.
7.3.4: there is a need to avoid creating unrealistic expectation about ATT and the reference to social media in the EEM may not be helpful.

7.3.8 -15: some of this could be included as EEM, such as interim controls testing

**Institute of Chartered Accountants of Pakistan**

Part 7: Responding to Assessed Risks of Material Misstatement

Paragraph 7.3.21(c) on external confirmations requires “Sending the requests, including follow-up requests when applicable, to the confirming party”.

Sending the requests could be interpreted by some as a printed confirmation via mail only. Electronic medium is a more efficient method of sending requests to the confirming parties and getting back their responses. It is suggested to further elaborate the above noted paragraph of ISA for LCE. Paragraph 6 of ISA 505 specifically mentions that an external confirmation can be in paper form, or by electronic or other medium. We accordingly propose to add ‘in paper form or by electronic or other medium’ after the words ‘follow-up requests’ in paragraph 7.3.21(c) of the proposed ISA.

**International Federation of Accountants’ Small and Medium Practices Advisory Groups**

Regarding external confirmations, perhaps consideration should be given to electronic means of obtaining external confirmations. As such, section 7.3.21(c) uses the term “sending the requests”, which could be construed as a printed confirmation being sent via the mail only, and not by other electronic means that are now often used for obtaining external confirmation of account balances and transactions. Electronic requests have become a preferred method of confirming balances (especially when COVID lockdowns caused office closures so sending through the mail was not an effective method). ISA 505, External Confirmations, includes a specific statement in paragraph 6 that an external confirmation can be “in paper form, or by electronic or other medium” and we believe a similar statement should be included in the standard.

We suggest IAASB revisit the sufficiency of the EEM in some specific places so that the proposed standard could be standalone. For example, audit sampling is dealt with in paragraphs 7.3.5 to 7.3.7 of the ED with one EEM on misstatements and this guidance is much shorter than those in equivalent ISA 530, Audit Sampling. There is a similar issue with the use of electronic confirmations which we discuss further in our response to question 9 related to part 7, Responding to Assessed Risks of Material Misstatement.

**Ordre National des Experts Comptables et des Comptables Agréés du Burkina Faso (ONECCA-BF)**

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

**Pan-African Federation of Accountants (PAFA)**

Part 7:
Comments:
Editorial to paragraph 7.3.12.(a) – This sentence is long and complicated. It is suggested that the sentence be broken down and sub-bullets be introduced:
Consider:
- The effectiveness of the components of the internal control system;
- The risks from the characteristics of the control (e.g., manual or automated);
- The effectiveness of general IT controls;
- Whether the lack of a change in a particular control poses a risk due to changing circumstances; and
- The risk of material misstatement and the extent of reliance on the control planned.

Editorial to paragraph 7.3.12.(a)-(b):
Formatting: It appears as if the spacing of the paragraphs are different to the rest of the document and appears to be “aligned left” rather than “justified”. It is suggested that it be corrected.
South African Institute of Chartered Accountants (2)

A potential area that the LCE could address is where a balance is quantitatively immaterial but there is a risk of material misstatement on a specific assertion. The question arises whether one can only raise a risk and respond to that assertion, or whether all assertions need to be tested on this account balance as a result of potentially one qualitatively material matter impacting one assertion. This interpretation is currently unclear in the ISAs and there may be room to provide clarity in the LCE standard, or deviate from the ISAs and allow the auditor to use judgement to test only specific assertions that result in the balance being considered material (assuming not quantitatively material and therefore not requiring all assertions to be assessed). ISA 330, The Auditor’s Responses to Assessed Risks, paragraph 18 currently states, “Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure.” The LCE standard could possibly deviate from this ISA requirement.

The requirements for auditors to determine a suitable substantive analytical procedure differ slightly. Taking account of risks of material misstatement and other tests of detail have been removed (ISA 620 para 5(a))
For substantive analytical procedures – the requirement to assess the variance/misstatement in aggregation with other misstatements has been removed (ISA 620 para 5 (c))

The responses to risks of material misstatements due to fraud and error have been combined where appropriate.

8. Academics

Hunter College Graduate Program

Section 7.3.2 (b) (ED Pg 115)
Obtain more persuasive audit evidence the higher the auditor’s assessment of risk; when the auditor’s risk assessment is high;

9. Individuals and Others

ASK KSA Consulting Inc.

Paragraph 7.3.5 Audit Sampling. We have no specific comments on the proposed standard related to audit sampling. However, recognizing SMPs often struggle in determining sample sizes to obtain sufficient appropriate audit evidence, consideration should be given to providing explanatory material on this topic.

7.4.8 Journal entry testing. The requirement is to “examine material journal entries and other adjustment made during the course of preparing the financial statements” along with the requirement “to consider the need to test journal entries made throughout the period”. Testing journal entries is another challenge faced by auditors of LCEs. This requirement does not make sense in the context of auditing an LCE, especially when a substantive approach is taken. Consideration should be given to eliminating, or at least revising this requirement.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 9- Views on the content of Parts 1 through 8 of ED-ISA for LCE\2) Responses on Parts 1 through 8\Part 7\b. Specific Drafting Comments\7.4 Specific Focus Areas\0 Overall Comments to 7.4

5. Accounting Firms

Crowe Macro Brazil

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: ‘including but not necessarily limited to the following aspects’.}

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 9- Views on the content of Parts 1 through 8 of ED-ISA for LCE\2) Responses on Parts 1 through 8\Part 7\b. Specific Drafting Comments\7.4 Specific Focus Areas\1 Going Concern

3. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies

Going concern
In paragraph 7.4.5 related to going concern: We consider that a material uncertainty related to going concern may in certain circumstances be an indicator of complexity. Therefore, factors related to going concern issues could be added to the list of indicators that the auditor should take into consideration when identifying if the use of the ISA for LCE is or remains appropriate.

A description of the going concern aspects specific to LCEs should be included in the Appendices section, given the importance of this subject matter.

**Irish Auditing and Accounting Supervisory Authority**

**Going concern**

We consider that a material uncertainty related to going concern may be an indicator of complexity. This could be added to the list of indicators that the auditor should take into consideration when assessing if the use of the ISA for LCE is appropriate.

**4. National Auditing Standard Setters**

**Austrian Chamber of Tax Advisors and Public Accountants (KSW)**

The EEM to paragraph 7.4.1. addresses guidance of ISA 570.A12 but should be extended to the important guidance of ISA 570.A13 (i.e., include this paragraph) as well.

We strongly recommend including important guidance of ISA 570.A3 as EEM to paragraph 7.4.4.

Since the LCE standard intends to follow the sequence of an audit, paragraph 7.4.6., in our opinion, is misplaced, and should be better moved to Part 8, e.g., Section 8.5. “The Auditor’s Evaluations and Other Activities to Support the Auditor’s Conclusion”

**5. Accounting Firms**

**BDO International**

Paragraphs 7.4.2 - Section 7.4.2 seems to be inconsistent, or at least not in spirit of the overall requirement, with the auditor not having to request management to perform a formal going concern assessment when one has not been performed. Specifically, it states: “In evaluating management’s assessment of the entity’s ability to continue as a going concern, the auditor shall cover the same period as used by management, as required by the applicable financial reporting framework. If that period is less than twelve months from the date of the financial statements, the auditor shall ask management to extend the period. If management does not make or extend its assessment, the auditor shall consider the implications for the auditor’s report.” It is unclear why the auditor would be required to request management to perform an extension when management have performed a formal assessment, yet when management have not completed a going concern assessment, the auditor is not required to request such an assessment. We understand that management in an LCE may have difficulty performing a formal going concern assessment, in which case, inquiries by the auditor may be sufficient, but if management is able to perform such an assessment, perhaps the auditor should ask first before going immediately to an inquiry-based assessment.

**Famme & Co. Professional Corporation**

7.4.1 Management's assessment of the going concern assumption has been addressed in an earlier section. Please note our comments at 5.2.12.

**Mazars**

7.4.1 – Going concern – similar to ISA requirements.

**6. Public Sector Organizations**

**Office of the Auditor General of Alberta**

As previously noted, the going concern assumption is unique in the public sector. It would be useful if guidance was added to Section 7.4 regarding restructuring or re-organizations in the public sector.

**7. Professional Accountancy and Other Professional Organizations**

**Institute of Chartered Accountants of Pakistan**

Going concern is covered as one of the specific focus area in Part 7 of the ED-ISA for LCE.

Going concern related issues could be relevant and common to less complex entities. The content and discussion on going concern needs further expansion to holistically cover this important subject. For example, discussion on period beyond management's assessment and additional audit procedures when events or conditions are identified would be equally relevant to the audits of less complex entities.
International Federation of Accountants' Small and Medium Practices Advisory Groups

Part 7: Responding to Assessed Risks of Material Misstatement
As it relates to going concern in section 7.4.1, we believe this should be reworded to match the wording on going concern in section 5.2.12 which specifically discusses that these responsibilities exist even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity’s ability to continue as a going concern.

Self-Regulatory Organization of Auditors Association (SRO AAS)

Paragraph: 7.4.1.

Text of the standard statement: The auditor shall evaluate management's assessment of the entity's ability to continue as a going concern.

Comments: The actions of the auditor are not considered in the case when there is no management’s assessment or the assessment is inadequate.

8. Academics
Hunter College Graduate Program

Section 7.4.5 (ED Pg 120)
If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall obtain sufficient appropriate audit evidence to determine whether or not a material uncertainty exists through performing additional procedure, including to obtain sufficient appropriate audit evidence and consideration of mitigating factors (a “material uncertainty” related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern) to determine whether or not events or conditions is material to be disclosure. These procedures shall include:

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 9- Views on the content of Parts 1 through 8 of ED-ISA for LCE\2) Responses on Parts 1 through 8\Part 7\b. Specific Drafting Comments\7.4 Specific Focus Areas\2 Management Override of Controls

4. National Auditing Standard Setters
Austrian Chamber of Tax Advisors and Public Accountants (KSW)
The content of paragraph 7.4.7. should be moved as a EEM to paragraph 6.5.7.

Canadian Auditing and Assurance Standards Board

In its 2019 Discussion Paper, the IAASB asked stakeholders to identify aspects of the ISAs that are difficult to apply in audits of LCEs (referred to as “pain points”). Our response letter to that Discussion Paper identified the pain points, based on feedback from our stakeholders.

The IAASB has replicated many of these pain points in ED-ISA for LCE with no additional guidance. As a result, ED-ISA for LCE may not effectively respond to the needs of stakeholders as a solution for audits of LCEs.

Stakeholders have told us that pain points in ISA 315 (Revised 2019) and ISA 240 are creating the greatest difficulty in practice. We recently completed a root cause analysis of each significant pain point in ISA 315 to determine whether it has been addressed in ISA 315 (Revised 2019). For those pain points that continue to exist, we determined whether it is caused by a flawed requirement, or misinterpretation and misapplication of the standard that can be addressed with non-authoritative guidance.

We determined that some of the pain points were addressed in ISA 315 (Revised 2019) either through reworded requirements or the addition of application material. For the pain points that were not addressed in ISA 315 (Revised 2019), we provided input into the development of non-authoritative guidance in Canada, Implementation tool for auditors: Revised CAS 315, that emphasizes the scalability of the standard with a focus on LCEs.

We are encouraged by the recently approved project proposal to revise ISA 240; the pain points stakeholders identified will be considered in the project. We believe that this is an area where revisions to ISA for LCE resulting from revisions to ISA 240 is a priority.

We list below the specific pain points in ED-ISA for LCE that have been replicated from the ISAs. There may be others. We suggest that the IAASB revisit the feedback received on its Discussion Paper and consider addressing the pain points in ED-ISA for LCE by modifying relevant requirements or adding EEM.

We believe that if the pain points are addressed, it will enhance audit quality. Practitioners may also achieve significant efficiencies in performing audits of LCEs, resulting in a better uptake of the standard.
Journal entry testing (ISA 240, paragraph 33(a) / ISA for LCE paragraph 7.4.8.(a)). This paragraph requires the auditor to design and perform procedures to test the appropriateness of journal entries throughout the period and at the end of the period. Stakeholders indicated this requirement is not well understood when a fully substantive audit approach is taken. For example, when many of the entity’s journal entries have already been tested in a substantive audit approach, it is unclear how much additional testing would be required.

5. Accounting Firms

Mazars

7.4.8: We suggest that item (b) (ii) could be moved to the risk assessment part since this could be performed in that phase of the audit.

PriceWaterhouseCoopers

Appendix 3 - Detailed Comments
Draft Standard
The section below sets out our other observations and editorial comments by paragraph within the ED. These comments are intended to be read in addition to our overarching comments in our cover letter and appendices 1 & 2 regarding the need for more extensive revisions to the requirements of the standard to better distinguish the ISA for LCE from the ISAs.

Paragraph 7.4.7 - The requirement to identify and treat management override as a significant risk is already captured in paragraph 6.5.7. Paragraph 7.4.7 is not drafted as a requirement but presented as a statement, which is effectively equivalent to EEM. Due to the inclusion of paragraph 6.5.7 we suggest this statement can be deleted. If not deleted, it should be converted to EEM.

Paragraphs 7.4.8 - As acknowledged in paragraph 6.3.6(d), the risk of management override of controls is perhaps greater in a LCE due to the less formal control environment. It would be useful to acknowledge this in EEM and how the auditor’s response may need to be tailored.

7. Professional Accountancy and Other Professional Organizations

Finnish Association of Authorised Public Accountants

We present below some detailed comments about the different Parts of the draft standard that could, in our opinion, be streamlined further without compromising reasonable assurance and quality audit. We suggest that the IAASB increases alternativeness and the use of professional judgement in deciding whether a requirement is relevant or efficient in the circumstances. One should always consider the value of the procedure/requirement to the ultimate goal of the audit – a reasonable assurance on that the financial statement does not include material misstatements – not to the audit process. Our comments are given mainly from the Finnish point of view (low audit thresholds, big number of SMEs, big number of audits conducted entirely at once, big number of remote audits etc.) and they aim to the appropriateness of the standard in regard to an SME audit.

Management Override of Controls
Paragraph 7.4.7 does not include requirements and could be an EEM instead.
The inquiry requirement in paragraph 7.4.8(i) could be optional in owner-managed entities where the financial reporting process consists of the owner-manager and an accountant.

Institute for the Accountancy Profession in Sweden (FAR)

7.4.8: We suggest that item (b) (ii) could be moved to the risk assessment part since this could be performed in that phase of the audit.

Nordic Federation of Public Accountants

We suggest that 7.4.8. (b) (ii) could be moved to the risk assessment in part 6 since this could be performed in that phase of the audit.

8. Academics

Hunter College Graduate Program

Section 7.4.8 (a) (ED Pg 121)
Test the appropriateness on all types of journal entries by of manual and automated journal entries recorded in the general ledger and other adjustments, made in the preparation of the financial statements, including:

(i) Making inquiries on the inappropriate and unusual activities; of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
(ii) Test the Selecting journal entries and other adjustments made at the end of a reporting period; and
(iii) Use professional judgment to decide if other journal entries need to be tested. Considering the need to test journal entries and other adjustments throughout the period.

9. Individuals and Others

ASK KSA Consulting Inc.

7.3.17 (b) and 7.4.8 Journal entry testing. The requirement is to “examine material journal entries and other adjustment made during the course of preparing the financial statements” along with the requirement “to consider the need to test journal entries made throughout the period”. Testing journal entries is another challenge faced by auditors of LCEs. This requirement does not make sense in the context of auditing an LCE, especially when a substantive approach is taken. Consideration should be given to eliminating, or at least revising this requirement.

Cristian Munarriz

Other comments
Paragraph 7.4.8.a): reference to “manual and automated” journal entries should be removed to be consistent with paragraph 32 of ISA 240. In practice, auditors generally consider automated journal entries to be low risk and therefore exclude them from testing (unless there is a specific risk arising from IT controls deficiencies). The specific mention to automated journal entries may be confusing, and some auditors may interpret it as requiring specific inclusion of automated journal entries for testing in every case, which may be inconsistent with prevalent practice under ISA 240.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 9- Views on the content of Parts 1 through 8 of ED-ISA for LCE\2) Responses on Parts 1 through 8\Part 7\b. Specific Drafting Comments\7.4 Specific Focus Areas\3 Related Parties

4. National Auditing Standard Setters

American Institute of Certified Public Accountants

Detailed Findings: The following table is intended to highlight those items which we assigned an “A” rating – meaning that omission or revision of the ISA requirement will, in our view, create an impediment to the auditor obtaining reasonable assurance in an audit performed in accordance with the Exposure Draft.

ISA Section: ISA 550 Paragraph 9
ISA for LCE: -
ISA Text:
The objectives of the auditor are:
(a) Irrespective of whether the applicable financial reporting framework establishes related party requirements, to obtain an understanding of related party relationships and transactions sufficient to be able:
(i) To recognize fraud risk factors, if any, arising from related party relationships and transactions that are relevant to the identification and assessment of the risks of material misstatement due to fraud; and
(ii) To conclude, based on the audit evidence obtained, whether the financial statements, insofar as they are affected by those relationships and transactions:
   a. Achieve fair presentation (for fair presentation frameworks); or
   b. Are not misleading (for compliance frameworks); and
(b) In addition, where the applicable financial reporting framework establishes related party requirements, to obtain sufficient appropriate audit evidence about whether related party relationships and transactions have been appropriately identified, accounted for and disclosed in the financial statements in accordance with the framework.

ISA for LCE Text: -

Key Findings: The impact of related party transactions on the financial statements can be material and addressing in the risk assessment area alone is insufficient to provide reasonable assurance.

Austrian Chamber of Tax Advisors and Public Accountants (KSW)
Paragraph 7.4.10.: as a general comment to this exposure draft, we want to highlight that, in our opinion, the term “auditor” is inappropriately used in the standard, based on its definition in the Glossary of Terms (GoT).

5. Accounting Firms

SRA

Part 6/7

We note that these parts entail some 30 pages of proposed requirements in the text of proposed ISA for LCE. This description of requirements is too extensive and detailed. Considering the aim and authority of the standard, the requirements should be condensed and be limited to requirements, which are essential to an LCE-audit.

Reference is made to our proposal under 1 (a) to include key or basic requirements in integrated ISA’s.

As an example of a too detailed description of requirements we can mention the related parties paragraph. There are seven requirements in this regard, some of which break down into various sub-requirements.

7. Professional Accountancy and Other Professional Organizations

Finnish Association of Authorised Public Accountants

We present below some detailed comments about the different Parts of the draft standard that could, in our opinion, be streamlined further without compromising reasonable assurance and quality audit. We suggest that the IAASB increases alternativeness and the use of professional judgement in deciding whether a requirement is relevant or efficient in the circumstances. One should always consider the value of the procedure/requirement to the ultimate goal of the audit – a reasonable assurance on that the financial statement does not include material misstatements – not to the audit process.

Our comments are given mainly from the Finnish point of view (low audit thresholds, big number of SMEs, big number of audits conducted entirely at once, big number of remote audits etc.) and they aim to the appropriateness of the standard in regard to an SME audit.

Related Parties (7.4.9-15)
The management of an SME rarely keeps record of related party relationships or transactions, or has formal related controls. We would suggest streamlining the requirements regarding related parties. Auditor’s responsibilities should simply be:

• to inquire of management on related party relationships and transactions as part of understanding the entity (in continuing audits inquiring about changes should be sufficient)
• to remain alert throughout the audit for related party transactions
• to audit significant transactions outside the entity’s normal course of business
• to conclude that there are adequate disclosures in the financial statements
• to report accordingly

In paragraphs 7.4.10 and 7.4.11(b) there are requirements to share relevant information with the team. In our opinion, sharing the relevant information with the team is essential in all phases of an audit. There could be a general requirement in Part 1 stating that “all relevant information must be communicated with the team in a timely manner” relevance being a matter or professional judgement. The separate requirements like those in 7.4.10 or 7.4.11(b) could then be removed.

4. National Auditing Standard Setters

Japanese Institute of Certified Public Accountants

The ISA for LCE is designed to achieve the reasonable assurance same as the ISAs; however, some of its descriptions, which have been amended or deleted from the ISAs, may cause differences in the judgment or understanding of the auditor. Therefore, it is necessary to reconfirm that the descriptions in the ISA for LCE do not diverge from the intention of the ISAs. The following are some specific examples:

(1) “7. Responding to Assessed Risks of Material Misstatement”
Paragraph 7.4.20 includes descriptions based on paragraph A12 of ISA 501, “Audit Evidence—Specific Considerations for Selected Items.” However, the following sentences are not included in this EEM: “The matter of general inconvenience to the auditor, however, is not sufficient to support a decision by the auditor that attendance is impracticable. Further, as explained in ISA 200 “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing” the matter of difficulty, time, or cost involved is not in itself a valid basis for the auditor to omit an audit procedure for which there is no alternative or to be satisfied with audit evidence that is less than persuasive.” We are concerned that if the description is omitted, it may be interpreted that the auditor can easily determine that attendance is impracticable. Even for audits of less complex entities, regardless of applying ISAs or ISA for LCE, we believe the attendance at physical inventory counting should not be easily avoided when inventory is material. As such, the description is necessary for the EEM.

5. Accounting Firms
Ernst & Young Global Limited

Inventory 7.4.20 - The way paragraph 7.4.20 currently reads is that the auditor only needs to perform audit procedures on intervening transactions if the auditor did not attend the inventory count and observes counts on an alternative date, which is narrower requirement than the ISA 501.5 requirement to perform procedures on intervening transactions when the inventory count date is not the financial statement date (regardless of attendance). We recommend that the ‘perform audit procedures on intervening transactions’ be removed from 7.4.20 and put into its own sentence.

Mazars

7.4.19 onwards – inventory – does not address other procedures e.g. price testing

7.4.19: The requirement to attend physical inventory counting is often discussed among auditors. Today (and not only for LCE) many entities use reliable perpetual inventory systems that are regularly updated to support existence of the inventory. In other cases, and probably more common in LCE, the inventory count is the only measure for management to confirm existence of inventory and to calculate cost of goods sold. We suggest that IAASB reconsider the requirements in ISA 501 and in part 7 of the proposed ISA for LCE to better correspond to how management determines existence of inventory. Inventory should be treated as any other balance in respect of assessing the risk and audit response to the assessed risk. Attending inventory count would then be one important audit response both from an internal control review procedures perspective and substantive procedures and could form part of the auditors sufficient and appropriate audit evidence.

6. Public Sector Organizations
Auditor-General of New Zealand

Part 7 – Responding to Assessed Risks of Material Misstatement
Paragraph: 7.4.19 (c)

Observe: This sentence needs to be reconsidered to ensure that it is clear.

Possible Correction: Should the sentence read “Performing audit procedures to obtain audit evidence about whether changes in inventory between the count date and the date of the financial statements have been properly reflected in the physical inventory counting is at a date other than the date of the financial statements”?

7. Professional Accountancy and Other Professional Organizations
ASSIREVI

Finally, we note that the proposed ISA for LCE does not include any specific mention of the audit of inventory and provisions for risks as per ISA 501. The proposed standard (page 30) states that the issues dealt with by ISA 501 are characteristics of more complex entities. We do not agree with this as, for example, the application of ISA 501 to inventory is necessary as inventory is material for financial reporting (ISA 501.4) and this is a circumstance which could also be true of an LCE.

Finnish Association of Authorised Public Accountants

We present below some detailed comments about the different Parts of the draft standard that could, in our opinion, be streamlined further without compromising reasonable assurance and quality audit. We suggest that the IAASB increases alternativeness and the use of professional judgement in deciding whether a requirement is relevant or efficient in the circumstances. One should always consider the value of the procedure/requirement to the ultimate goal of the audit — a reasonable assurance on that the financial statement does not include material misstatements — not to the audit process. Our comments are given mainly from the Finnish point of view (low audit thresholds, big number of SMEs, big number of audits conducted entirely at once, big number of remote audits etc.) and they aim to the appropriateness of the standard in regard to an SME audit.
7.4.19-21 Inventory

In SMEs, there is not necessarily any separate inventory software or even any formal tracking of inventory transactions during the financial year. Inventory counts are often performed once a year, and there might not be any formal controls or management’s written instructions for inventory counts. The management of an SME often participates in the counts or does it itself. In Finland it is common that an auditor’s clients are performing their yearly inventory counts on the same day. For these reasons, it is sometimes impractical for the auditor to attend inventory counts of all the clients or to evaluate the instructions. The IAASB should consider removing the presumed requirement to attend inventory takes from ISA for LCEs. Instead, the audit approach regarding inventory should be similar to other balance sheet accounts and be dependent on auditor’s risk assessment, circumstances and professional judgement. Participating in inventory counts should be just one of the possible audit procedures, not a presumption.

At the least, the focus should be in significance of the account rather than in materiality. Significance should be assessed using the term “significant account balance” like in ISA 315 (revised 2019). Therefore, the term “material” should be changed in the first paragraph 7.4.19. [The same change should be made in ISA 501.] The consequence of this change should also be considered. If there are no relevant assertions related to inventory, or the risks do not relate to existence, the attendance in inventory count should not be a presumption.

Also, if the presumption will not be changed, the IAASB should consider adding examples on where alternative procedures (such as auditor’s own inventory counts) can be applied by default. At the moment, there is one example of impracticability in EEM.

Institute for the Accountancy Profession in Sweden (FAR)

7.4.19: The requirement to attend physical inventory counting is often discussed among auditors. Today (and not only for LCE) many entities use reliable perpetual inventory systems that are regularly updated to support existence of the inventory. In other cases, and probably more common in LCE, the inventory count is the only measure for management to confirm existence of inventory and to calculate cost of goods sold. We suggest that IAASB reconsiders the requirements in ISA 501 and in part 7 of the proposed ISA for LCE to better correspond to how management determines existence of inventory. Inventory should be treated as any other balance in respect of assessing the risk and audit response to the assessed risk. Attending inventory count could be one important audit response both from an internal control review procedures perspective and substantive procedures and could form part of the auditor’s collection of sufficient and appropriate audit evidence, or attending physical stock take should only be required if inventory is a significant account balance, i.e. when there is a relevant assertion related to existence.

Nordic Federation of Public Accountants

We suggest that the IAASB reconsider the requirements both in ISA 501 and in 7.4.19 of the proposed ISA for LCE to better correspond with how management determines existence of inventory. Inventory should be treated as any other balance in respect of assessing the risk and audit response to the assessed risk. As such, attending inventory count could be, but does not have to be, an important audit response both from an internal control review procedures perspective and from a substantive procedures perspective and could form part of the auditor’s collection of sufficient and appropriate audit evidence. In our view attending physical stock take should only be required if inventory is a significant account balance, i.e. when there is a relevant assertion related to existence. However, if the IAASB determines to keep the requirement as drafted, we would still suggest the requirement to attend management’s physical count should be removed in order to allow more flexibility for the auditor.

Pan-African Federation of Accountants (PAFA)

Editorial to EEM paragraph below paragraph 7.4.20. – There appears to be a red line struck-through the word “to”, which should be deleted/the word “to” should be re-instated:

“In some cases, attendance at physical inventory counting may be impracticable. This may be due to factors such as the nature and location of the inventory…”

8. Academics

Hunter College Graduate Program

3. We believe separating the sentences on the sections below and having the information in a list format makes it easier to understand.

Section 7.4.20 (ED Pg 124)

If the auditor is unable to observe physical inventory for any reason, has not attended the inventory count due to unforeseen circumstances, the auditor shall make or observe some do the physical counts on an alternative date. However,
(i) and perform audit procedures on intervening transactions. If attendance at physical inventory counting is impracticable to perform a physical inventory count, the auditor shall perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory, or (ii) if not possible, the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall determine the effect on the auditor's report.

Specific Questions - Section 4E – Content of ED-ISA for LCE - Question 9 - Views on the content of Parts 1 through 8 of ED-ISA for LCE

2) Responses on Parts 1 through 8

Part 7 - b. Specific Drafting Comments - 7.4 Specific Focus Areas - 6 Litigation and Claims

3. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies

Comment on the location of a specific provision
Paragraph 7.4.22 regarding litigation and claims deals with the identification and assessment of risks rather than to responding to those risks, therefore this could be moved to section 6 of the separate standard.

4. National Auditing Standard Setters

American Institute of Certified Public Accountants

The following represents those ISA paragraphs and corresponding ISA for LCE paragraphs that we assigned a "B" rating – meaning that omission or revision of the ISA requirement might create an issue for auditors when any one item is aggregated with another or others. We are pleased to provide additional information if requested.

ISA 501, paragraph 10/ISA for LCEs paragraph 7.4.23
ISA 501, paragraph 11/ - (omitted from Exposure Draft)

5. Accounting Firms

Ernst & Young Global Limited

Litigation and Claims 7.4.22 – 7.4.23 – There is no guidance or EEM to address situations when the auditor is unable to send a legal letter, or no response is received when a legal letter is sent (ISA 501.11). These situations do occur in an audit of an LCE. We suggest that the IAASB include the requirements from ISA 501.11 in the ED-ISA for LCE.

7. Professional Accountancy and Other Professional Organizations

ASSIREVI

With respect to the tests specified in ISA 501 for litigation and claims, we have not identified factors which would make the standard solely applicable to more complex entities.

Specific Questions - Section 4E – Content of ED-ISA for LCE - Question 9 - Views on the content of Parts 1 through 8 of ED-ISA for LCE

2) Responses on Parts 1 through 8 - Part 7 - b. Specific Drafting Comments - 7.4 Specific Focus Areas - 7 Audit Procedures When Non-Compliance with Law or Regulation is Identified or Suspected

5. Accounting Firms

Ernst & Young Global Limited

Audit Procedures When Non-Compliance with Law or Regulation is Identified or Suspected –7.4.25(d) – The use of the words 'take appropriate action' is not strong enough to match 'consider the need to obtain legal advice' from ISA 250.19. There is also insufficient guidance or EEM from ISA 250.25 to enable auditors to handle situations where management or those charged with governance are involved and whom the auditors would need to contact in these situations. We suggest that the IAASB update the wording to match ISA 250.19 and ISA 250.25.

Specific Questions - Section 4E – Content of ED-ISA for LCE - Question 9 - Views on the content of Parts 1 through 8 of ED-ISA for LCE

2) Responses on Parts 1 through 8 - Part 7 - b. Specific Drafting Comments - 7.4 Specific Focus Areas - 8 Using the Services of a Service Organization

4. National Auditing Standard Setters

Austrian Chamber of Tax Advisors and Public Accountants (KSW)
Considering the importance of this topic for LCE audits (e.g., regarding the regular outsourcing of bookkeeping), in our opinion, paragraph 7.4.26. on the use of a Service Organization should be more comprehensive and include more guidance. This is also important to promote and guarantee the intended character of this standard as a standalone standard.

**Canadian Auditing and Assurance Standards Board**

Use of a service organization (EM paragraph 106(b)) – We heard mixed views regarding the use of Type 1 or Type 2 reports in audits of LCEs. We agree with excluding situations that are deemed more complex relating to service organizations. However, LCEs may use service organizations for less complex situations, such as processing of payroll, cloud services, and outsourcing of IT services. This use is becoming increasingly more common. Therefore, we suggest the IAASB consider adding requirements to ED-ISA for LCE to address the auditor’s ability to rely on reports on the operating effectiveness of controls from the entity providing the services.

**5. Accounting Firms**

**Duncan & Toplis Limited**

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 do not think that the specific exclusion of the use of type 1 or 2 reports for the use of service organisations is reasonable. This would imply that any entity that has a defined benefit pension scheme, for example, would instantly be complex. In turn it implies that any audit requiring an auditor’s expert if complex. We do not feel that this is the case. For example, an academy school in the UK, especially a smaller trust, would be considered complex simply because they had a local authority pension scheme liability.

**Ernst & Young Global Limited**

Using the Services of a Service Organization – The use of service organizations is very common for LCE audits. In general, the guidance included related to using the services of a service organization included in the ED-ISA for LCE is minimal. We do not believe that the assumption can be made that an LCE audit will not need to obtain a Type 1 or Type 2 Report or test controls at the Service Organization since the use of service organizations are common at LCEs. We suggest the IAASB reconsider which paragraphs from ISA 402 are included in the ED-ISA for LCE.

**KPMG IFRG Limited**

Similarly, we recommend that the Board re-consider inclusion of material in respect of “simple” service organisations, which are common and may be used by a number of entities, including group entities. (Please refer also to our response to Question 22, regarding our recommendation to include group audits within the scope of this standard.)

**Mazars**

7.4.26: The EEM to this paragraph is very good and should be applicable in ISA as well under similar circumstances.

**PriceWaterhouseCoopers**

Appendix 3 - Detailed Comments

Draft Standard

The section below sets out our other observations and editorial comments by paragraph within the ED. These comments are intended to be read in addition to our overarching comments in our cover letter and appendices 1 & 2 regarding the need for more extensive revisions to the requirements of the standard to better distinguish the ISA for LCE from the ISAs.

Paragraph 7.4.26(b) - We believe there is a risk of confusion about whether or not the standard addresses reliance on controls at a service organisation. The explanatory memorandum describes that Type 1 and Type 2 reports are not addressed as it is expected that evidence can be obtained directly by the auditor of the entity. However, the standard makes several references to controls at a service organisation, and it may be relatively common for an LCE to use a larger payroll provider who provides such service auditor reports to its customers. We believe additional requirements and EEM are likely necessary to guide auditors on the expected work effort in such circumstances.

**7. Professional Accountancy and Other Professional Organizations**

**Association of Practising Accountants**

Insufficient consideration has been given to reliance on service providers, in particular the use of type 1 or 2 reports which can be beneficial to a number of LCE audits.

**Finnish Association of Authorised Public Accountants**

We present below some detailed comments about the different Parts of the draft standard that could, in our opinion, be streamlined further without compromising reasonable assurance and quality audit. We suggest that the IAASB increases
alternativeness and the use of professional judgement in deciding whether a requirement is relevant or efficient in the circumstances. One should always consider the value of the procedure/requirement to the ultimate goal of the audit – a reasonable assurance on that the financial statement does not include material misstatements – not to the audit process. Our comments are given mainly from the Finnish point of view (low audit thresholds, big number of SMEs, big number of audits conducted entirely at once, big number of remote audits etc.) and they aim to the appropriateness of the standard in regard to an SME audit.

7.4.26 Using the Services of a Service Organization
We support the manner in which the requirements are presented in 7.4.26 starting with “if”, then “determining whether…” and “if not, then perform further procedures”. The same kind of approach could be used in other paragraphs as well, such as regarding related parties or going concern.

**Institute for the Accountancy Profession in Sweden (FAR)**

7.4.26: The EEM to this paragraph is very good and should be applicable in ISA as well under similar circumstances.

**Korean Institute of Certified Public Accountants**

Chapter 7. Responding to Assessed Risks of Material Misstatement
With regard to paragraph 7.4.26, it is more likely for LCEs to purchase and use commoditized services (e.g., maintenance/management of off-the-shelf software) rather than directly engage a service organization, which means auditors may often rely on type 1 or type 2 reports. Therefore, in our opinion, requirements relating to an auditor’s ability to rely on type 1 and type 2 reports should be included.

**Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 9- Views on the content of Parts 1 through 8 of ED-ISA for LCE:2 Responses on Parts 1 through 8\Part 7\b. Specific Drafting Comments\7.4 Specific Focus Areas\9 Using the Work of an Auditor’s Expert**

5. Accounting Firms

**Grant Thornton International Limited**

Use of the Work of an Expert – We question whether the entity is truly an LCE if the auditor finds it necessary to employ an expert in order to obtain sufficient appropriate audit evidence in support of the audit opinion. We therefore recommend that consideration is given as to whether this section of Part 7 is appropriate for an audit of less complex entities.

6. Public Sector Organizations

**Swedish National Audit Office**

7.4.27 – Audit experts. If the entity is complex enough that you need an audit expert, then the auditor should probably not use this standard and the entity not be defined as LCE. Our suggestion would be to exclude this guidance and consider listing the use of audit experts as a criteria for defining LCE.

**Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 9- Views on the content of Parts 1 through 8 of ED-ISA for LCE:2 Responses on Parts 1 through 8\Part 7\b. Specific Drafting Comments\7.5 Accumulation of Misstatements**

4. National Auditing Standard Setters

**American Institute of Certified Public Accountants**

Detailed Findings: The following table is intended to highlight those items which we assigned an “A” rating – meaning that omission or revision of the ISA requirement will, in our view, create an impediment to the auditor obtaining reasonable assurance in an audit performed in accordance with the Exposure Draft.

ISA Section: ISA 450 Paragraph 7 Consideration of Identified Misstatements as the Audit Progresses

ISA for LCE:

ISA Text: If, at the auditor’s request, management has examined a class of transactions, account balance or disclosure and corrected misstatements that were detected, the auditor shall perform additional audit procedures to determine whether misstatements remain.

ISA for LCE Text:
Key Findings: The Mapping Document states that while the requirement is relevant and appropriate in the circumstances of an audit of an LCE, it is “addressed in the overarching requirement to document all misstatements and whether they have been
corrected (paragraph 7.7.1(f)) which would include performing procedures to make that determination. It is not considered necessary to include a separate requirement specifically for those where the auditor requested, they be corrected because of the way that that [draft] ISA for LCE has been presented."

While the documentation requirement may result in the auditor obtaining sufficient appropriate audit evidence that all identified misstatements have been corrected, the auditor would not have obtained evidence regarding whether other misstatements remain. Therefore, the exclusion of the ISA requirement will result in a significant impediment to the auditor obtaining reasonable assurance.

**Austrian Chamber of Tax Advisors and Public Accountants (KSW)**

Considering the general importance of the topic of the evaluation of materiality of misstatements, in our opinion, paragraphs 7.5.1./8.2.3. should be more comprehensive and include more guidance (e.g., regarding ISA 450.A20). This is also important to promote and guarantee the intended character of this standard as a standalone standard.

Paragraphs 7.5.3./7.5.4. include overlapping provisions (e.g., regarding misstatements indicative of fraud) and should be consolidated.

As described in EM.112 it is intended in this standard not to distinguish between the “overall audit strategy” and the “audit plan”, and thus not to use the term “audit plan”. Therefore, the term “audit plan” should be replaced in paragraph 7.5.5.

**5. Accounting Firms**

**Grant Thornton International Limited**

Accumulation of Misstatements – We question whether it would be better to include this section in Part 8, and specifically in the section containing the requirements for the Evaluation of Misstatements.

**PriceWaterhouseCoopers**

Appendix 3 - Detailed Comments

Draft Standard

The section below sets out our other observations and editorial comments by paragraph within the ED. These comments are intended to be read in addition to our overarching comments in our cover letter and appendices 1 & 2 regarding the need for more extensive revisions to the requirements of the standard to better distinguish the ISA for LCE from the ISAs.

Paragraph 7.5.3 - Given the heightened focus on fraud, we believe it would be appropriate to include ISA 240 paragraph A52 as EEM.

**9. Individuals and Others**

**ASK KSA Consulting Inc.**

7.5.1 Trivial. The requirement is to accumulate misstatements identified during the audit, other than those that are clearly trivial. The concept of trivial relates to materiality but it is not until well after the planning stage that this concept is raised. The discussion of trivial should be included in Part 5 Planning as a reminder to engagement teams to set trivial so they can keep this in mind throughout the audit as they are performing procedures. Section 7.5 then addresses accumulation of misstatements.

**Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 9- Views on the content of Parts 1 through 8 of ED-ISA for LCE\2) Responses on Parts 1 through 8\Part 7\b. Specific Drafting Comments\7.6 Specific Communication Requirements**

**4. National Auditing Standard Setters**

**Austrian Chamber of Tax Advisors and Public Accountants (KSW)**

Due to its general importance, we recommend including important guidance of ISA 260.A10 as EEM to section 7.6.

In order to have communication requirements in one place we recommend consolidating section 7.6. into section 8.8.

**5. Accounting Firms**

**Crowe Macro Brazil**

Proposed standard – 7.6.1

Add to the final paragraph: … mentioned or summarized in a short memorandum or e-mail.

**Ernst & Young Global Limited**
Specific Communication Requirements 7.6.2 – ISA 265.11 (b) (i) (ii) and (iii) need to be included in the ED-ISA for LCE, as least as EEM. We believe that there is not currently enough information in ED-ISA for LCE paragraph 7.6.2 to determine what constitutes sufficient information in the communication of significant deficiencies.

PriceWaterhouseCoopers

Appendix 3 - Detailed Comments
Draft Standard
The section below sets out our other observations and editorial comments by paragraph within the ED. These comments are intended to be read in addition to our overarching comments in our cover letter and appendices 1 & 2 regarding the need for more extensive revisions to the requirements of the standard to better distinguish the ISA for LCE from the ISAs.

Paragraph 7.6.2 - The “context of the communication” referred to in the requirement can only be understood if EEM is provided that addresses the matters described in the remainder of ISA 265 paragraph 11(b) not incorporated in the draft i.e., parts (i) - (iii) of the requirement.

Paragraph 8.8.1 - This should be located in Part 7 as it corresponds to the requirements described in section 7.5.

8. Academics
Hunter College Graduate Program
Section 7.6.1 (ED Pg 127)
The auditor shall communicate:
(a) Significant deficiencies and material weakness in the entity’s internal control system identified during the audit to those charged with governance and management (unless it would be inappropriate to communicate directly with management in the circumstances) in writing and on a timely basis.
(b) With management, in writing and on a timely basis, matters that have been communicated to those charged with governance (unless it would be inappropriate to communicate directly with management in the circumstances) and other deficiencies in internal control identified that have not been communicated but are of sufficient importance to merit management’s attention.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 9- Views on the content of Parts 1 through 8 of ED-ISA for LCE\2) Responses on Parts 1 through 8\Part 7\d. Supportive Comment

3. Regulators and Audit Oversight Authorities
Botswana Accountancy Oversight Authority
It looks complete and relevant.

7. Professional Accountancy and Other Professional Organizations
Indonesian Committee on Public Accountant Profession (KPAP)
Part 7: Responding to Assessed Risks of Material Misstatement and Part 8: Concluding Part 7 and 8 are complete, and KPAP agrees to the content of these parts.