Supplement 1-04 to Agenda Item 4

Audits of Less Complex Entities – ED-ISA for LCE – Q9 (Part 8, excluding responses related to 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 8\a. Specific Comments\8.1 Objectives

3. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies

Objective of the concluding section

In the Concluding section, the objective in paragraph 8.1.1 is not consistent with the introduction to this section and, therefore, should be completed by including a new bullet point d) to cover the performance of other concluding activities such as the consideration of the effect of subsequent events, obtaining written representations and performing concluding analytical procedures.

Independent Regulatory Board for Auditors (IRBA)

Editorial changes to paragraph 8.1.1.: Formatting: It appears as if 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.

7. Professional Accountancy and Other Professional Organizations

Pan-African Federation of Accountants (PAFA)

Part 8:

Editorial to paragraph 8.1.1.: 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.

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 8\a. Specific Comments\8.2 Evaluation of Misstatements Identified During the Audit

4. National Auditing Standard Setters

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.

6. Public Sector Organizations

Office of the Auditor General of Alberta

Part 8

Section 8.2 could be improved by including guidance of examples of when it is appropriate for management to not adjust immaterial identified misstatements.

8. Academics

Hunter College Graduate Program

Section 8.2.3 (ED Pg 129) [Below sentence is missing ',' after 'aggregate'.]
The auditor shall determine whether uncorrected misstatements are material, individually or in aggregate, by considering the:

9. Individuals and Others

Vera Massarygina

ED as ISA 315 and others uses terminology which determine principle contradictions: they require to assess inherent risk for a particular risk of material misstatement at the assertion level determining the significance of the combination of the likelihood and magnitude of a misstatement (para 6.5.1). But according to para.8.2.3 auditor determines uncorrected misstatement not at the assertion level (as it is impossible) but in relation to particular classes of transactions, account balances or disclosures and the financial statements as a whole.
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 8 | a. Specific Comments | 8.3 Analytical Procedures that Assist When Forming an Overall Conclusion

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:

(2) “8. Concluding”

(i) Paragraph 8.3.1 is based on paragraph 35 of ISA 240, “The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.” However, while the ISA addresses the risk of material misstatement due to fraud only, paragraph 8.3.1 includes misstatement due to errors, and therefore requires more than it is required in the ISA. It should be aligned with the ISA requirements.

8. Academics
Hunter College Graduate Program

Section 8.3.1. (ED Pg 130)
Near the end of the audit the auditor shall design and perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity, and to identify any indications of a previously unidentified risk of material misstatements due to fraud or error.

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 8 | a. Specific Comments | 8.4 Subsequent Events

3. Regulators and Audit Oversight Authorities
Independent Regulatory Board for Auditors (IRBA)

Paragraph 8.4.5: We suggest that requirements be included on steps the auditor would consider if the auditor were not satisfied with how management intends to address a matter identified after the financial statements are issued.

Include requirements in respect of the re-issuing of financial statements.

Paragraph 106(c) of the Explanatory Memorandum states the following:
"Management amendments to the financial statements after the date of the auditor’s report— Detailed requirements relating to the reporting on, and distribution of, previously issued financial statements when financial statements are amended are not included because in most jurisdictions this is expected to be rare."

We are of the view that although it is expected to be rare, amendments to the financial statements after the date of the auditor’s report are not limited to complex entities only; and due to the nature of the proposed standard being a standalone standard, we suggest that guidance be included in the proposed standard in this regard.

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 560, paragraph 12/- (omitted from Exposure Draft)
ISA 560, paragraph 13/- (omitted from Exposure Draft)
ISA 560, paragraph 16/- (omitted from Exposure Draft)
ISA 560, paragraph 17/ - (omitted from Exposure Draft)

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

**Part 8: Concluding**

We suggest combining the requirements of paragraphs 8.4.4. to 8.4.6. under a new subtitle “Facts which become known to the Auditor after the date of the Auditor’s Report” and add a new chapter with additional requirements if the financial statement is issued as outlined in ISA 560.15(b).

We recommend adding a EEM outlining the requirements of ISA 560.13/resp.17 how to react if management does not take the necessary steps.

**Canadian Auditing and Assurance Standards Board**

Management amendments to financial statements after issuing the auditor’s report (EM, paragraph 106(c)) – We are not convinced that such a situation is rarer in audits of LCEs than in an ISA audit. The IAASB should consider adding requirements to address such situations. Otherwise, practitioners would be forced to transition to the ISAs for an audit that otherwise could be performed using ED-ISA for LCE.

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

**Part 8**

In relation to paragraphs 8.4.5. and 8.4.6., we note that paragraphs 12 and 15 of ISA 560 allow the auditor to dual date the auditor’s report or amend the auditor’s report, which is not the same as issuing a new auditor’s report as required by paragraph 8.4.5. This applies not only to matters known before the date the financial statements are issued, but also for facts which become know to the auditor after the financial statements have been issued. For these reasons, we believe that paragraphs 8.4.5. and 8.4.6. need to be augmented to recognize that auditors may not only issue new auditors’ reports, but may also dual date an auditor’s report or amend an auditor’s report.

5. Accounting Firms

**BDO International**

Paragraph 8.4.6 - Several requirements from ISA 560 on Subsequent Events (paragraphs 560.15 - .17 related to facts becoming known to the auditor after the financial statements have been issued) have not been included in the proposed LCE standard. The mapping document states that such situations are expected to be rare in LCEs. However, we believe that this situation does arise in LCEs. Since the proposed LCE standard does not permit application of requirements from the full suite of ISAs, this situation would require transitioning to the full ISAs, which would not be practical after the auditor’s report has already been issued. Therefore, we believe that ISA 560.15 - .17 should be added to the proposed LCE standard.

Related to the previous point, if 560.15 - .17 is added to the proposed LCE standard, paragraph 230.13 should also be added in Part 2 related to the documentation of matters arising after the date of the auditor’s report.

**Ernst & Young Global Limited**

There are numerous scenarios that could impact the Auditor’s Report related to subsequent events. The ED-ISA for LCE scoped out certain requirements from ISA 560 because the IAASB believed these situations to be unusual and unlikely to occur for an LCE. However, if these various scenarios were to occur on an LCE audit, the ED-ISA for LCE does not contain the guidance to determine the implications to the Auditor’s Report. As a result, we believe the ISA 560.11-13 and 560.15-17 requirements that discusses auditor’s report consequences should be included in the ED-ISA for LCE.

**KPMG IFRG Limited**

We also highlight that the Subsequent Events Section, at 8.4, does not address the procedures to be performed by the auditor when facts become known to the auditor after the financial statements have been issued (including material misstatements that may be identified, e.g. when performing the audit of the financial statements for the subsequent period) and management amends the financial statements. Additionally, the LCE ISA does not address this scenario in the event that management does not take the necessary steps to ensure that anyone in receipt of the previously issued financial statements is informed of the situation and does not amend the financial statements in circumstances where the auditor believes they need to be amended. ISA 560 addresses these situations explicitly via requirements and related guidance. Without these additional requirements/guidance, auditors may not respond appropriately, or may consider that they need to transition to the full-scope ISAs in this scenario, since the IAASB does not permit specific “top-up” procedures to be performed in respect of individual matters, which would seem unnecessary/impracticable when the audit has already been completed. We note that the IAASB states at paragraph 106(c) of the Explanatory Memorandum that it expects such scenarios to be rare, however, we suggest that the IAASB consider inclusion of the full set of relevant requirements/guidance in this area, as we believe such subsequent events in respect of misstatements identified as part of a subsequent audit may not be as rare for small and less complex entities as the IAASB appears to anticipate.
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 8 - Concluding
Paragraph 8.4.5 - We question the omission of paragraphs 12 and 13 of ISA 560. These paragraphs direct the appropriate response of the auditor in different circumstances.

Paragraph 8.4.6 - Similar to the preceding point, we believe the omission of paragraphs 15-17 if ISA 560 is problematic for the same reason.

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.

PART 8: CONCLUDING

8.4. Subsequent Events
In most SMEs there are no formal processes or controls to detect the events occurring after the date of the F/S. It is easy for the management of an SME to be or become aware of such events and to assess their impact on the F/S. This is specially the case in owner-managed businesses. This point should be added in an EEM.

In LCEs, auditor’s responsibilities should simply be

- to inquire of management on subsequent events and about whether such an event is appropriately reflected in the F/S
- to conclude that there are adequate disclosures in the financial statements
- to report accordingly.

Therefore, at least the requirement in 8.4.2(a) should not be mandatory. Also, there might not have been any meetings between the date of the F/S and the date of the auditor’s report (8.4.1(d)) and, therefore, we would suggest adding words "if such meetings have been held".

Paragraphs 8.4.4-8.4.6 mention issuing the F/S. Whether "issue" means public availability on company website or Business Register, many Finnish entities never issue their F/S. It could be mentioned in an EEM that in such cases there are no further responsibilities for the auditor after the date of the auditor’s report.

Korean Institute of Certified Public Accountants

Chapter 8. Concluding
With regard to 8.4.6., in some countries (including Korea), LCEs’ financial statements may also be often amended due to local laws and regulations after the date of the financial statements. Therefore, we hope that the requirements on management amendments to the financial statements after the date of the financial statements are included.

South African Institute of Chartered Accountants (2)

Also consider including guidance on the re-issuing of the financial statements as we note paragraph 106 (c) (on page 32) states the following:

Management amendments to the financial statements after the date of the auditor’s report – Detailed requirements relating to the reporting on, and distribution of, previously issued financial statements when financial statements are amended are not included because in most jurisdictions this is expected to be rare.
Our view is that although it is seen as rare, amendments to the financial statements after the audit report are not limited to complex entities only, and due to the nature of the standard being a standalone standard, we believe guidance around this should be included in the standard.

Part 8: Concluding

93. Some of the requirements and application material contained in ISA 560, Subsequent Events, have not been incorporated in the LCE standard. An example that may also be relevant in an LCE environment relates to requirements that should be performed by an auditor when facts become known after the financial statements have been issued and management fails to take the necessary steps to inform those that were in receipt of the previously issued financial statements and do not amend the financial statements as required by the auditors (ISA 560 from paragraph 17). Furthermore, no guidance is included for the cases where management agrees to amend the financial statements (ISA 560, paragraph 15-16).

8. Academics

Hunter College Graduate Program

Section 8.4.1 (ED Pg 130)

The auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor’s report "that and require requiring" adjustment of, or a disclosure in, the financial statements have been identified.

Section 8.4.5 (ED Pg 131)

If management amends the financial statements, the auditor shall carry out the audit procedures necessary in the circumstances on the amendment, including extending the audit procedures performed to the date of the new auditor’s report and providing a new auditor’s report on the amended financial statements.

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 8

a. Specific Comments

8.5 The Auditor’s Evaluations and Other Activities to Support the Auditor’s Conclusion

Independent Regulatory Board for Auditors (IRBA)

The EEM to paragraph 8.5.1. states that “… the auditor may also consider whether such information changes the auditor’s determination about the appropriateness of use of the[draft] ISA for LCE for the audit, which may necessitate a modification to the terms of engagement.” This EEM is in relation to the requirement in paragraph 8.5.1. requiring the auditor to “… evaluate whether the assessments of the risks of material misstatement at the financial statement and assertion levels remain appropriate” and is a form of a “stand-back” that the auditor should take at the conclusion stage of the audit.

We suggest that this “stand-back” contained in the EEM be elevated to a requirement below paragraph 8.5.1.

ISA for LCE Paragraph Reference: Part 8, paragraph 8.5.2.(a)

Proposed Wording Change: N/A

Comment:

There is no mapping/relationship between paragraph 8.5.2.(a) and paragraph 36 of ISA 540 (Revised), that is, there is no link between the two paragraphs.

We suggested that paragraph 8.5.2.(a) be removed from being mapped to paragraph 36 of ISA 540 (Revised) and only be mapped to paragraph 33 of ISA 540 (Revised).

If there is no other paragraph within the proposed standard that can be mapped to paragraph 36 of ISA 540 (Revised), then it may appear that this paragraph of ISA 540 (Revised) has been excluded from the proposed standard.

Does the broad requirement regarding fair presentation and the compliance framework adequately address paragraph 36 of ISA 540 (Revised)?
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 570, paragraph 19/ISA for LCEs paragraph 8.5.9
ISA 330, paragraph 26/ISA for LCEs paragraph 8.5.5
ISA 330, paragraph A60/with ISA for LCEs paragraph 8.5.1

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

As the requirement in paragraph 8.5.5 is already substantially covered by paragraph 8.5.2.(c), paragraph 8.5.5. may be deleted.

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

The following requirements can be removed because they are redundant:
Paragraph 8.5.2. (c), which requires the engagement partner to evaluate that sufficient appropriate evidence has been obtained with respect to accounting estimates. This is already covered by paragraph 8.5.5. where the auditor is required to make the same evaluation.

We also believe that the EEM to paragraphs 8.5.1. and 8.5.3. is not needed and can therefore be deleted.

Malaysian Institute of Accountants

We believe the stand back provision currently available in the ISAs could be just as effective in an audit of an LCE as it would for a more complex entity as it involves exercising of professional skepticism. The proposed standard does not seem to have placed an appropriate emphasis on this as a requirement in the concluding section.

5. Accounting Firms

Mazars

Part 8: Concluding
8.5.2: In (c) the auditor is required to evaluate that sufficient appropriate evidence has been obtained in respect to accounting estimates. In 8.5.5 the same requirement is included in general terms. We believe that this should only be required once.

8.5.1 – “the auditor may consider….which may necessitate a modification to the terms of engagement” – this reconsideration will be impracticable at the end – if concluded that LCE is not applicable, will cause major impact on the audit.

6. Public Sector Organizations

Office of the Auditor General of Alberta

Regarding Sections 8.5.5-8.5.11, which states “the auditor,” IAASB should clarify that the requirements apply to “the engagement partner.”

7. Professional Accountancy and Other Professional Organizations

Accountancy Europe

PART 8: CONCLUDING
We believe that this Part should be improved by removing following requirements:
8.5.2(c), which requires the engagement partner to evaluate that sufficient appropriate evidence has been obtained with respect to accounting estimates. This is already covered by 8.5.5 where the auditor is required to make an overall evaluation of the appropriateness and sufficiency of the audit evidence obtained.

Institute for the Accountancy Profession in Sweden (FAR)

Part 8:
8.5.2: In (c) the auditor is required to evaluate that sufficient appropriate evidence has been obtained in respect to accounting estimates. In 8.5.5 the same requirement is included in general terms. We believe that this should only be required once.

Institute of Chartered Accountants of Scotland

Response to Question 9
We are broadly supportive of the content of each of Parts 1 through 8 of ED-ISA for LCE and found the mapping documents very useful in forming this assessment. Our specific comments are set out below. We do not view any of these of being of a fatal flaw nature.

Our specific comments are as follows:
PART 8: CONCLUDING

Paragraph 8.5.9
We believe the linkage here between the final sentence of the main paragraph and the opening words of the two bullets could be improved as illustrated below.

“If the auditor concludes, based on the audit evidence obtained, that management’s use of the going concern basis of accounting is appropriate in the circumstances, but a material uncertainty exists, the auditor shall determine whether adequate disclosure about a material uncertainty related to going concern has been made in the financial statements, including of:
(a) Adequately disclose the principal events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern and management’s plans to deal with these events or conditions; and
(b) Disclosing clearly the existence of that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.”

Alternatively, “disclose” in (a) could be replaced by “disclosing”.

Paragraph 13 of ISA 705
We are not convinced that management imposing a limitation on scope is necessarily a rare occurrence. We believe the ISA for LCE would benefit from inclusion of the need to consider withdrawing from the engagement depending on the nature and extent of the limitation.

Korean Institute of Certified Public Accountants
With regard to requirements on close call described in 8.5.10, relevant events rarely happen in the context of LCEs. Furthermore, the financial reporting standard applicable to LCEs often don’t specifically require disclosure. In this regard, such requirements are likely to cause unnecessary confusion. We want these requirements to be excluded from the standard.

Nordic Federation of Public Accountants
We believe that both 8.5.2 (c) and 8.8.3 are redundant since the same requirements are already covered by 8.5.5. and 8.8.2. (c) and (d) respectively.

Pan-African Federation of Accountants (PAFA)
The EEM paragraph to paragraph 8.5.1. states that “…the auditor may also consider whether such information changes the auditor’s determination about the appropriateness of use of the(draft) ISA for LCE for the audit, which may necessitate a modification to the terms of engagement.” This EEM is in relation to the requirement in paragraph 8.5.1. requiring the auditor to “…evaluate whether the assessments of the risks of material misstatement at the financial statement and assertion levels remain appropriate” and is a form of a “stand-back” that the auditor should take at the conclusion stage of the audit. It is suggested that this “stand-back” contained in the EEM paragraph be elevated to a “stand-back” requirement below paragraph 8.5.1.

8. Academics
Hunter College Graduate Program

Section 8.5.10 (ED Pg 133)
If events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern have been identified, but, based on the audit evidence obtained the auditor concludes that no material uncertainty exists, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial statements provide adequate disclosures about these events or conditions.

Section 8.5.9 (ED Pg 132)
If the auditor concludes, based on the audit evidence obtained, that management’s use of the going concern basis of accounting is appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether an adequate disclosure about a material uncertainty related to going concern has been made in the financial statements, including:

Section 8.5.11(ED Pg 133)

If the auditor confirms that, or is unable to conclude whether, the financial statements are materially misstated as a result of fraud, the auditor shall evaluate the implications on the audit including on the assessed risks of material misstatement and 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:

Responses on Parts 1 through 8

Part 8

a. Specific Comments

8.6 Written Representations from Management and TCWG

4. National Auditing Standard Setters

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

The attached footnote 61 in paragraph 8.6.1.(b) contains a requirement regarding the management representation to be obtained by the auditor (“shall”). Hence, this note should be included in the main text.

Second sentence of paragraph 8.6.7. is redundant to the first sentence of paragraph 8.6.1. and shall be removed.

Japanese Institute of Certified Public Accountants

(ii) Paragraphs 16 and 17 of ISA 580 “Written Representations” requires that if the auditor has concerns about the competence or integrity etc. of management, the auditor shall determine the effect that such concerns may have on the reliability of representations. However, paragraph 8.6.5 of the ED-ISA for LCE does not contain such requirements. We believe the reliability of the representations should be considered if the auditor has concerns about the competence or integrity etc., even in the case of an audit of a less complex entity, and therefore the requirements need to be added to paragraph 8.6.5.

Malaysian Institute of Accountants

Consideration could also be given to whether there should be an explicit statement in section 8.6.3 that failure to obtain a management representation letter could result in the auditor withdrawing from the engagement and not issuing an audit report, similar to the scope limitations noted in the full ISAs. This type of language might also be added to section 9.3.3 for situations when the auditor deems the financial statements to be misleading.

5. Accounting Firms

Ernst & Young Global Limited

The title of 8.6 Written Representations from Management and Those Charged with Governance implies that written representations are always required from Those Charged with Governance. The title should reflect that representations are only required from Those Charged With Governance, if applicable.

Written Representations from Management and Those Charged with Governance 8.6.3/Appendix 6 – We do not believe that it is rare for there to be comparative periods (e.g., this is an AICPA requirement) or misstatements in prior periods, but ISA 710.9 was excluded from the ED-ISA for LCE. We disagree with this exclusion and believe ISA 710.9 (The auditor shall request written representations for all periods referred to in the auditor’s opinion. The auditor shall also obtain a specific written representation regarding any restatement made to correct a material misstatement in prior period financial statements that affect the comparative information) should be included in the ED-ISA for LCE as this exclusion implies that financial statements including a restatement would require an audit under the ISAs.

PriceWaterhouseCoopers

Paragraph 8.6.6(c) - If the “required written representations” referred to in this paragraph are those described in paragraph 8.6.1, we question whether this requirement is too onerous. ISA 560 only requires the auditor to disclaim when management refuses to provide three critical representations.

7. Professional Accountancy and Other Professional Organizations

Finnish Association of Authorised Public Accountants

We suggest that the requirement to obtain written representations is changed to being based on risk assessment and professional judgement.

International Federation of Accountants’ Small and Medium Practices Advisory Groups

Part 8: Concluding
Consideration could be given as to whether there should be an explicit statement in section 8.6.3 that failure to obtain a management representation letter could result in the auditor withdrawing from the engagement and not issuing an audit report, similar to the scope limitations noted in the ISAs. This type of language might also be added to section 9.3.3 for situations when the auditor deems the financial statements to be misleading.

**Nordic Federation of Public Accountants**

**PART 8: CONCLUDING**

Obtaining a written representation is a standard audit procedure. In many countries the law requires management to not withhold any necessary information from the auditor. Furthermore, management and the Board of Directors are required to sign the financial statements. In such situations and from an audit evidence perspective, the added value from obtaining proposed written representations can be questioned. Taking this into account but at the same time acknowledging the informative value of written representations, we suggest that the requirements in section 8.6 should be based on a risk assessment.

**8. Academics**

**Hunter College Graduate Program**

Section 8.6 (ED Pg 133)

However, although written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own about any of the matters with which they deal.

Section 8.6.1 (ED Pg 133-134)

The auditor shall obtain written representations from management for all periods referred to in the auditor’s opinion, from those who have appropriate knowledge of the matters concerned and responsibility for the financial statements, and where appropriate, those charged with governance about the following matters:

(a) That they have fulfilled their responsibility for the preparation of the financial statement in accordance with the applicable financial reporting framework, including where relevant their fair presentation;
(b) That they have provided the auditor with all relevant information and access as agreed in the terms of the audit engagement;
(c) That all transactions are recorded and are reflected in the financial statements;
(d) That they acknowledge their responsibility for the design, implementation and maintenance of controls to prevent and detect fraud;
(e) That they have disclosed to the auditor the result of its assessment of the risk that the financial statements may be materially misstated because of fraud;
(f) That their knowledge of fraud, or suspected fraud, or allegations of fraud or suspected fraud has been disclosed to the auditor;
(g) That they have disclosed to the auditor the identity of the entity’s related parties and all the related party relationships and transactions of which they are aware;
(h) That they have appropriately accounted for and disclosed related party relationships and transactions in accordance with the requirements of the financial reporting framework;
(i) That all known instances of non-compliance or suspected non-compliance with law or regulation whose effects should be considered when preparing financial statements have been disclosed to the auditor;
(j) That all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework;
(k) With regard to accounting estimates, whether the methods, significant assumptions and data used in making the accounting estimates and disclosures are appropriate to achieve recognition, measurement or disclosure is in accordance with the applicable financial reporting framework;
(l) That all events occurring subsequent to date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed;
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 8\a. Specific Comments\8.7 Taking Overall Responsibility for Managing and Achieving Quality

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 220, paragraph 32/ISA for LCEs paragraph 8.7.3

6. Public Sector Organizations
Auditor-General of New Zealand

Part 8 – Concluding Paragraph: 8.7.1

Observation: This requirement is expressed awkwardly – as if the engagement partner were two different people.

Possible Correction: An alternative approach could be to require the engagement partner, before signing the auditor’s report, to “step back” to satisfy themselves as to the matters in paragraphs 8.7.1(a) and (b)?

7. Professional Accountancy and Other Professional Organizations
Institute of Chartered Accountants of Scotland

Paragraph 8.7.1

“Prior to dating the auditor’s report, the engagement partner shall determine that the engagement partner has taken overall responsibility for managing and achieving quality on the audit engagement.

In doing so, the engagement partner shall determine that:
(a) The engagement partner’s involvement has been sufficient and appropriate throughout the audit engagement such that the engagement partner has the basis for determining that the significant judgments made and the conclusions reached are appropriate given the nature and circumstances of the engagement; and
(b) The nature and circumstances of the audit engagement, any changes thereto, and the firm’s related policies or procedures have been taken into account.”

The term “engagement partner” is used considerably in this paragraph, we suggest that this wording could be refined.

9. Individuals and Others
Vera Massarygina

Part 8. Wording of para. 8.7.1 needs to be modified as it seems strange at the concluding stage of the audit to require the engagement partner to determine that the engagement partner has taken overall responsibility for the engagement.

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 8\a. Specific Comments\8.8 Specific Communication Requirements

4. National Auditing Standard Setters
Austrian Chamber of Tax Advisors and Public Accountants (KSW)

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

Canadian Auditing and Assurance Standards Board
Various Parts – Specific Communication Requirements
We note the following pain points:
Frequency and substance of communications (ISA 260, paragraph 14-16 / ISA for LCE paragraphs 4.7.1, 5.4.1, 6.7.1 and 8.8.2). These paragraphs list matters the practitioner is required to communicate with those charged with governance. Stakeholders indicated they are sometimes challenged in complying with the requirements to communicate specific matters throughout the audit in less-formal oversight structures, where a board of directors does not exist or meets infrequently.

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

The following requirements can be removed because they are redundant:
Paragraph 8.8.3, which requires the auditor to communicate to those charged with governance significant matters arising during the audit in connection with the entity’s related parties. This is already covered by paragraph 8.8.2 (c) and (d).

5. Accounting Firms

PriceWaterhouseCoopers
Paragraph 8.8.1 - This should be located in Part 7 as it corresponds to the requirements described in section 7.5.
Paragraph 8.8.3 - This could be incorporated into the list in paragraph 8.8.2.

RSM International
Paragraph 8.8.1 requires “all misstatements” to be communicated to management. In our view this should exclude those that are considered clearly trivial.
Paragraph 8.8.4 requires all “Uncorrected material misstatements” to be reported to TCWG. Should “material” be removed so that it states, “all uncorrected misstatements that are not clearly trivial should be reported to TCWG”? An uncorrected material misstatement would result in a modification of the audit opinion.

6. Public Sector Organizations

Auditor-General of New Zealand
Part 8 – Concluding
Paragraph: 8.8.1 and 8.8.4

Observation: Paragraph 8.8.1 seems to refer to the misstatements communicated to entity management or those charged with governance during the audit. Paragraph 8.8.4 refers to the misstatements that remain uncorrected at the end of the audit, and the requirement for the uncorrected misstatements to be communicated to those charged with governance.

Possible Correction: From a practical application perspective, these requirements might be better positioned together – for instance, if paragraph 8.8.4 was placed immediately after paragraph 8.8.1?

Part 8 – Concluding
Paragraph: 8.8.2(f) and 8.8.2(i)

Observation: Both matters refer to the wording of the audit report – which is of great importance to those charged with governance.
In addition, the wording in paragraph 8.8.2(f) is not entirely clear and would appear to refer to circumstances that result in a modified opinion.

Possible Correction: Would it be better to promote paragraphs 8.8.2(f) and 8.8.2(i) to the top of the list?
In addition, paragraph 8.8.2(f) could be clarified.

7. Professional Accountancy and Other Professional Organizations

Accountancy Europe
8.8.3 which requires the auditor to communicate to those charged with governance significant matters arising during the audit in connection with the entity’s related parties. This is already covered by 8.8.2 (c) and (d).

Nordic Federation of Public Accountants
We believe that both 8.5.2 (c) and 8.8.3 are redundant since the same requirements are already covered by 8.5.5. and 8.8.2. (c) and (d) respectively.
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 8\b. Supportive comments

3. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority

Part 8: Concluding

It looks complete and relevant.

7. Professional Accountancy and Other Professional Organizations

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

PART 8: CONCLUDING

We believe this part is fit for purpose.

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 8\c. Little difference

5. Accounting Firms

Price Bailey LLP

Response: Overall in Part 8 there is little difference in practical terms to the audit work to be undertaken therefore will leave little benefit for the adoption of this standard.

7. Professional Accountancy and Other Professional Organizations

Association of Practising Accountants

Response: We would observe that in Part 8 there is little difference in practical terms in relation to the audit work to be undertaken and therefore little incentive to drive adoption.

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 8\d. Other comments

5. Accounting Firms

Ernst & Young Global Limited

Part 8

There needs to be an overarching consideration to cover ISA 265.7 in the concluding section of the ED-ISA for LCE (The auditor shall determine, on the basis of the audit work performed, the auditor has identified one or more deficiencies in internal control). We suggest that the IAASB add this requirement from ISA 265.7 to the ED-ISA for LCE. Refer to related comments in Part 6 above.

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.

Mazars

We also notice that the subject matter ‘Related Parties’ receives a lot of attention.