Supplement 1-05 to Agenda Item 4

Audits of Less Complex Entities – ED-ISA for LCE – Q10 (Part 9), Q11 (Reporting Supplemental Guide)

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(a) The presentation, content and completeness of Part 9\1) Agree

3. Regulators and Audit Oversight Authorities
Botswana Accountancy Oversight Authority
We agree with the approach taken in ED-ISA for LCE regarding the reporting requirements.

4. National Auditing Standard Setters
Indonesian Institute of Certified Public Accountants (IAPI)
Response: Yes
Institute of Chartered Accountants of India
For Part 9, we agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements, including:
(a) The presentation, content and completeness of Part 9.

Public Accountants and Auditors Board Zimbabwe
Response: Yes we agree

5. Accounting Firms
KPMG IFRG Limited
We believe this approach will be responsive to the majority of LCE audits and avoid unnecessary clutter/ confusion.
PKF International Limited
We are in agreement with each of these aspects of Part 9.

6. Public Sector Organizations
Government Accountability Office (USA)
We reviewed part 9 and found that it presented the requirements completely. We believe that the title of the audit opinion report should clearly reflect that the audit was conducted using the LCE standard.
Swedish National Audit Office
Yes, we agree with the approach taken on auditor reporting, including the presentation etc.

7. Professional Accountancy and Other Professional Organizations
Belgian Institute of Registered Auditors (IBR-IRE)
Response: We have no specific comments in this area. We find a supplemental guide with examples a more than welcome suggestion
Chamber of Auditors of the Republic of Azerbaijan
10. We basically agree with the approach accepted in Part 9 of the ED-ISA for LCE to formulation of requirements to auditor reporting on all specified aspects.
Chamber of Financial Auditors of Romania
(a) We agree with the presentation, content and completeness of Part 9.
Chartered Governance and Accountancy Institute in Zimbabwe
We agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements.
Confederation of Swedish Enterprise
Response: We support the chosen approach.
CPA Ireland
We agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements.
Federation of Accounting Professions of Thailand
Agreed, the example provided is cleared and concise.

Institute of Certified Public Accountants of Cyprus
We agree with the requirements as set in paragraph 9.

Institute of Certified Public Accountants of Rwanda
Response: We agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements, including those stated in a, b and c above.

Institute of Certified Public Accountants of Uganda
We agree with the presentation, content and completeness of Part 9 of the ED-ISA for LCE.

Institute of Chartered Accountants of Jamaica
Response: YES

Institute of Chartered Accountants of Scotland
We agree with the approach taken in ED-ISA for LCE with regard to the auditor reporting requirements.

Instituto Mexicano de Contadores Públicos (IMCP)
We consider adequate the presentation, content and the completeness of the concepts in the section of Forming an opinion and the Report, including the 8 sections referring to this topics as mentioned in question 9.

South African Institute of Professional Accountants
We agree with the presentation, content and completeness of Part 9

Wirtschaftsprüferkammer (WPK)
We agree with the approach taken.

Specific Questions

Section 4E – Content of ED-ISA for LCE
Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements
Question 10(a) The presentation, content and completeness of Part 9
2) Agree with Comments
2a) Table format is useful

3. Regulators and Audit Oversight Authorities
Independent Regulatory Board for Auditors (IRBA)
The tabular format of information provided in Tables A, B and C is easy to navigate and useful.

5. Accounting Firms
Famme & Co. Professional Corporation
We believe Tables A, B and C are very useful, and should be included in the EEM.

Grant Thornton International Limited
In particular, we support the use of tables to present the auditors options for modifications of auditor’s reports, the effect of the modification on the auditor’s report and examples of the disclosure under that particular modification.

We support the presentation and content of Part 9 of ED-ISA for LCE. In particular, we support the use of tables to present the auditors options for modifications of auditor’s reports, the effect of the modification on the auditor’s report and examples of the disclosure under that particular modification.

Mazars
The table approach to modified opinions is good.

RSM International
It is clearly laid out and we particularly appreciate the tables on pages 144-148 which will assist practitioners when a modified opinion is being considered. The other tables on pages 150-151 and 153-154 are also very useful.
We agree with the approach taken in Part 9 of ED-ISA for LCE. It is clearly laid out and we particularly appreciate the tables on pages 144-148 which will assist practitioners when a modified opinion is being considered. The other tables on pages 150-151 and 153-154 are also very useful.

7. Professional Accountancy and Other Professional Organizations

Accountancy Europe
The tables A, B and C are very useful to identify the requirements for which modified opinion is to be used in different situations. These tables should be included in eIS in a user-friendly format.

Chartered Accountants Ireland
In particular we thought that the tables included in this section are well laid out and easy to understand.

Institute for the Accountancy Profession in Sweden (FAR)
The table approach to modified opinions is good.

Institute of Chartered Accountants of Namibia
We believe the tables included in Part 9 are very helpful and would be helpful for full ISA’s as well.

Instituto dos Auditores Independentes do Brasil
Agree, mainly with the inclusion of the tables which are useful to practitioners.

Specific Questions - Section 4E – Content of ED-ISA for LCE

Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements?

Question 10(a) The presentation, content and completeness of Part 9

2) Agree with Comments

2c) Report Could Reference ISA

5. Accounting Firms

Grant Thornton International Limited
We also have concerns regarding the proposed content of the auditor’s report. We note that the proposed Basis for Opinion section includes a statement that the audit has been conducted in accordance with ED-ISA for LCE. Given the opinion under ED-ISA for LCE is a reasonable assurance opinion, consistent with the reasonable assurance opinion given under the ISAs, we are unclear why this distinction is being made in this section of the auditor’s report. Further, as noted above, this may add to the confusion and stakeholders’ perception concerning the quality of the audit performed.

7. Professional Accountancy and Other Professional Organizations

Institute of Certified Public Accountants in Israel
Subject to what is stated in the answer to question 3(b) above, ICPAI agrees with the presentation, content and completeness of the chapter, except for the reference to this specific standard in the auditor’s report.

Specific Questions - Section 4E – Content of ED-ISA for LCE

Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements?

Question 10(a) The presentation, content and completeness of Part 9

2) Agree with Comments

2d) Prefer Requirements

Mazars
Regarding the completeness, we believe the IAASB should replace the required report in para. 9.4.1 with the requirements set forth in ISA 700.

Specific Questions - Section 4E – Content of ED-ISA for LCE

Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements?

Question 10(a) The presentation, content and completeness of Part 9

2) Agree with Comments

2e) Additional Requirements or EEM

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)
We suggest that it would be useful if Table C would also include a decision tree providing an overall view of the impact, should the auditor’s opinion be modified.

<table>
<thead>
<tr>
<th>ISA Paragraph Reference</th>
<th>ISA for LCE Paragraph Reference</th>
<th>Proposed Wording Change</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISA 700 (Revised), paragraph 43-45</td>
<td>N/A</td>
<td>N/A</td>
<td>The proposed standard does not deal with (contain requirements) Other Reporting Responsibilities within the Auditor’s Report. Instead, Other Reporting Responsibilities are dealt with in the Supplemental Reporting Guide. It is important to include requirements (as opposed to non-authoritative guidance) on Other Reporting Responsibilities, which may be missed if the Supplemental Reporting Guide is not consulted or referred to. LCEs may need to report on matters such as non-compliance with laws and regulation, and public sector entities often have other reporting responsibilities. We suggest that the proposed standard includes requirements related to Other Reporting Requirements and the Supplemental Reporting Guide retains the illustrative auditor’s report illustrating the reporting of Other Reporting Requirements.</td>
</tr>
</tbody>
</table>
| ISA 700 (Revised), paragraphs 53-54 | N/A | N/A | The proposed standard does not deal with supplementary information. Supplementary information (not required by the applicable financial reporting framework to be presented with the audited financial statements) may be common to LCEs and therefore may be encountered during the audits of LCEs. Examples of such supplementary information may be: 
- Detailed Income Statement. 
- Statement of Comprehensive Income and Statement of Financial Position for tax purposes. We suggest that paragraphs 53-54 of ISA 700 be included in the proposed standard. |
| ISA 705 (Revised), paragraph 24 | N/A | If the modification results from an inability to obtain sufficient appropriate audit evidence, the auditor shall include in the Basis for | Paragraph 24 of ISA 705 (Revised) has been omitted from the proposed standard. Even though the Supplemental Reporting Guide mentions that reasons for the inability to obtain sufficient appropriate audit evidence should be included and the illustrative
<table>
<thead>
<tr>
<th>IAASB Main Agenda (June 2023)</th>
<th>Opinion section the reasons for that inability.</th>
<th>reports contained in the Supplemental Reporting Guide illustrate the same, this is not a substitute for including a requirement in the proposed standard. We suggest that paragraph 24 of ISA 705 (Revised) be included in the proposed standard.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ISA 705 (Revised), paragraph 27</strong></td>
<td><strong>N/A</strong></td>
<td><strong>Even if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements, the auditor shall describe in the Basis for Opinion section the reasons for any other matters of which the auditor is aware that would have required a modification to the opinion, and the effects thereof.</strong> Paragraph 27 of ISA 705 (Revised) has been omitted from the proposed standard. Even though the Supplemental Reporting Guide mentions that the reasons for any other matters of which the auditor is aware that would have required a modification to the opinion, and the effects thereof, should be included, this is not a substitute for including a requirement for this in the proposed standard. We suggest that paragraph 27 of ISA 705 (Revised) be included in the proposed standard.</td>
</tr>
<tr>
<td><strong>ISA 710, paragraph 13</strong></td>
<td><strong>Part 9, paragraph 9.6.3.</strong></td>
<td><strong>If the financial statements of the prior period were audited by a predecessor auditor and the auditor decides to refer to the predecessor auditor’s report on the corresponding figures, in addition to expressing an opinion on the current period’s financial statements, the auditor shall state in an Other Matter paragraph:</strong> An important part of paragraph 13 of ISA 710 has been omitted from the proposed standard. This omission refers to the auditor deciding to refer to the predecessor auditor’s report on corresponding figures. We suggest that this part of paragraph 13 of ISA 710 be incorporated into paragraph 9.6.3. of the proposed standard.</td>
</tr>
<tr>
<td><strong>ISA 710, paragraph 17</strong></td>
<td><strong>Part 9, paragraph 9.5.1. I (Table C) (per Mapping Document)</strong></td>
<td><strong>N/A</strong></td>
</tr>
<tr>
<td><strong>ISA 720 (Revised), paragraph 9.8.2.</strong></td>
<td><strong>Part 9, paragraph 9.8.2.</strong></td>
<td><strong>The auditor shall read the other information, and:</strong> Paragraph 9.8.2.(b) (mapped to paragraph 14(b) of ISA 720 (Revised)) has not been included in the Mapping Document. It is suggested that paragraph 9.8.2.(b) be inserted into**</td>
</tr>
</tbody>
</table>
4. National Auditing Standard Setters

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

Response:
We have noted that ISA 700.43 to ISA 700.45 is not included in the ISA for LCE standard and the “Report on Other Legal and Regulatory Requirements” is only included in one illustrative opinion in the supplemental guidance. We suggest adding paragraph 9.4.4. to summarise the requirements in relation to reporting on other legal and regulatory requirements as we consider this requirement of utmost importance.

Section 9.6. describes all other paragraphs in the Auditor’s Report. Also, the paragraph in relation to a Material Uncertainty Related to Going Concern is included. In order to emphasize the importance of a Material Uncertainty Related to Going Concern we recommend reordering the section and include a separate heading right at the beginning of section 9.6. for “Material Uncertainty Related to Going Concern paragraph” and include a separate paragraph (9.6.1.) containing the requirements according to ISA 570.22. Consequently, splitting table D into table D containing the information in relation to Going Concern (9.6.6.) and a table E for the Emphasis of matter paragraph (9.6.7.) and the other matter paragraph (9.6.8.).

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.

While we generally agree that the Part 9 for the auditor reporting requirements are appropriate per the proposed standard, there needs to be additional guidance to understand the implications of issuing a qualified opinion, a disclaimer and material uncertainty over going concern as to how it affects the “stand-back” approach contemplated by the proposed standard if the audit of the entity remains an LCE given the significant judgment and assumptions required by the auditor in arriving at those modifications/conclusions/opinions.

5. Accounting Firms

Duncan & Toplis Limited

Additionally, why is the section relating to irregularities not included? Even for LCE, we believe that this is beneficial to the users of the financial statements?

Grant Thornton International Limited

We are of the view, however, that this Part needs to deal with format and content of the auditor’s report in situations where the prior period was audited under different standards than in the current period, specifically if one year is audited under ED-ISA for LCE and the other year is audited under the ISAs.

Mazars

We also suggest the IAASB also add some paragraphs of ISA 700 (Revised) .51 and .52 as well as ISA 705.15 (no piecemeal opinions) and 27 in section 9.

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 9 - Reporting
Paragraph 9.4.1 - When the audit report's layout or wording is prescribed by law or regulation, paragraph 9.4.1(a) permits the auditor to refer to the draft LCE standard only when “all significant elements of the specified format and content are included”. We recommend including some brief EEM to explain that the meaning of the term “all significant elements” is described in the reporting supplement.

Paragraph 9.4.1 - The auditor's report set out in Part 9.4 includes the section “Responsibilities of management for the financial statements”. This paragraph, and the related footnotes, make no reference to those charged with governance. However, the first line after the bulleted list of Auditor’s Responsibilities makes reference to communicating with those charged with governance. We suggest the pro-forma audit report include optional text for when those charged with governance are separate from management, to explain their respective responsibilities.

Table C - We recommend that some brief EEM be added to acknowledge that when multiple options may be applicable in the circumstances, the appropriate opinion to be expressed is a matter of professional judgement based on the nature and circumstances of the matter. It would be useful to cross-reference the supplemental guidance on reporting, which provides necessary supporting guidance. Otherwise, we believe the content of the supplement needs to be incorporated as necessary EEM to enable the auditor to comply with the requirements.

Section 9.8 and Table E - There is no reference within this section or Table E that states where the Other Information section should be included within the auditor’s report. We recommend the illustrative pro forma audit report in part 9.4 include an Other Information section.

Other - We believe paragraphs 24 and 27 of ISA 705 (Revised) addressing the need to include reasons in the basis for modification paragraph when the auditor expresses a modified opinion based on a limitation of scope or otherwise expresses an adverse or disclaimer of opinion need to be included as explicit requirements. The reporting supplement (see comment below) indicates this is optional which would be a fundamental change that we do not support.

7. Professional Accountancy and Other Professional Organizations
Instituto Mexicano de Contadores Públicos (IMCP)
We suggest clarifying or proposing the wording for the audit report in case of financial statements with comparative figures that are issued in the year of the adoption of the ISA for LCE.

8. Academics
Argentine institute of Auditing Professors
We only mention that in the case of the inclusion of audit engagements covered by ISA 800, the requirements for the reports of such engagements should be added.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(a) The presentation, content and completeness of Part 9\2) Agree with Comments\2f) Additional Language in the Report to Add

4. National Auditing Standard Setters
Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts-Comptables
We consider that the auditor’s report (in the Auditor’s responsibilities for audit of the financial statements section) should state that the auditor has exercised professional judgment in assessing the appropriateness of using ED-ISA for LCE for the entity concerned.

We have however the following concerns. We consider it is important to emphasize the need for the auditor to exercise professional judgment in deciding whether to use the ED-ISA for LCE. This analysis and the exercise of professional judgment by the auditor should be specified in the section “Auditor’s responsibilities for the audit of financial statements” of the auditor’s report.
5. Accounting Firms

Duncan & Toplis Limited

We broadly agree with the approach outlined. However, we do not see why the auditor’s responsibilities section cannot be referenced to a website, as is the case for the ISAs? Surely this would lead to a longer audit report that may be interpreted as more complex?

MHA Monahans

We agree with the approach taken in part 9. We encourage the IAASB to include the UK ISA requirement for the auditor’s report to explain to what extent the audit was considered capable of detecting irregularities, including fraud.

7. Professional Accountancy and Other Professional Organizations

Chartered Accountants Ireland

We agree with the approach taken in regard to auditor reporting, however we consider that a cross reference to a regulator’s website for a description of auditor’s responsibilities should be allowed.

9. Individuals and Others

Vera Massarygina

Yes, but it may appear rational to widen the point of a material uncertainty relating to going concern in the auditor’s report (para.9.6.4).

Specific Questions: Section 4E – Content of ED-ISA for LCE

Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements?

2) Agree with Comments

2x) Other Supporting Comments

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

We agree with its presentation, content and completeness.

5. Accounting Firms

Crowe Global

We agree with the presentation, content, and completeness of Part 9. The approach appears consistent with the ISAs.

ETY sas

We agree with the presentation, content and completeness of Part 9.

Famme & Co. Professional Corporation

We agree with the presentation, content and completeness of this section.

Mazars

(a) The presentation, content and completeness of Part 9 is in line with other parts of the proposed standard and the intentions to issue this proposed standard. The table approach to modified opinions is good.

PriceWaterhouseCoopers

The way that the IAASB has chosen to present Part 9 is innovative. The work done to rationalise and present relevant requirements from ISAs 705 and 706 demonstrates a bolder approach to better distinguish the standard from the ISAs that we encourage across other Parts of the standard to enhance its standalone nature.

6. Public Sector Organizations

Office of the Auditor General of Alberta

We agree with the below items, including the removal of Other Information from the auditor’s report.

7. Professional Accountancy and Other Professional Organizations

Accountancy Europe
Yes, we agree with the overall approach taken by the IAASB. The presentation, content and completeness of the part is mostly in line with our expectations.

**European Federation of Accountants and Auditors for SMEs**

We agree with the approach taken for auditor reporting requirements. We welcome the fact that the section ‘Basis for Opinion’ makes it clear that the audit is performed in accordance with the ISA for LCE standard.

**Indonesian Committee on Public Accountant Profession (KPAP)**

KPAP agrees with the content in Part 9 that is consistent with the approach used in the ISAs. KPAP suggests considering the ISA reporting standards for the relevant reporting requirements. Regarding several of the reporting requirements in paragraph 121, KPAP agrees on the reporting requirements using the following approach:

a. Using a specified content and format for an unmodified auditor’s report.
b. Using tables to present requirements related to the circumstances that may lead to reports modification and text used in the report where modifications occur.
c. Using tables to present the form and content when emphasizing matter, other matter, material uncertainty related to going-concern, and other information paragraphs.
d. Including requirements in a standard text format where the presentation is not specified above.

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

(a) The presentation, content and completeness of Part 9 is in line with other parts of the proposed standard and the intentions to issue this proposed standard.

**Institute of Certified Public Accountants of Kenya**

We agree with the presentation, content and completeness of Part 9.

**Institute of Chartered Accountants of Ghana**

This part appears to include all the elements of an auditor’s report. It first sets out the requirements for forming an opinion (including the types of audit opinions), the content of the auditor’s report and then other information and comparative information.

**Institute of Chartered Accountants of Namibia**

The presentation is very clear and easy to read and follow.

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

We agree with the presentation and content and believe the only real difference between an auditors’ report issued under the ISAs and under the proposed standard should be the framework used to provide a basis for the audit opinion.

**Nordic Federation of Public Accountants**

We agree with the approach taken regarding the presentation, content and completeness of Part 9.

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

We agree with the presentation, content and completeness of Part 9.

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

a) We agree with the presentation, content and completeness of Part 9.

**REA Auditores**

We agree with the approach taken for auditor reporting requirements. We welcome the fact that the section ‘Basis for Opinion’ makes it clear that the audit is performed in accordance with the ISA for LCE standard.

**Society of Certified Accountants and Auditors of Kosovo (SCAACK)**

We agree with the approach taken for auditor reporting requirements. We welcome the fact that the section ‘Basis for Opinion’ makes it clear that the audit is performed in accordance with the ISA for LCE standard.

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

We agree with the overall approach including the presentation, content and completeness of part 9

8. Academics
Argentine institute of Auditing Professors
We agree with the approach taken in section 9 with respect to all the requirements for forming an opinion and the related auditor's report.

Hunter College Graduate Program
Yes, we agree with the approach taken in ED-ISA for LCE regarding auditor report requirements, including the presentation, content and completeness of Part 9. ED-ISA for LCE being a standalone “self-contained” standard has a detailed explanation that doesn’t require direct reference back to the materials from ISAs. It shows in a table format when modification to an opinion may be required along with how to present those modified opinions in the auditor’s report. It also sets out some specific circumstances when the auditor’s opinion is to be modified and what types of opinions to express.

9. Individuals and Others
ASK KSA Consulting Inc.
We agree with the approach taken with regard to auditor reporting requirements. We feel it is important from a transparency perspective to reference ED-ISA for LCE.

Specific Questions/Section 4E – Content of ED-ISA for LCE/Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements/Qestion 10(a) The presentation, content and completeness of Part 9/2) Agree with Comments/2y) Editorials

3. Regulators and Audit Oversight Authorities
Independent Regulatory Board for Auditors (IRBA)
Editorial changes to the International Auditor’s Report – Basis for Opinion on page 141 of 170:
The title of the ISA for LCE should read as “International Standard on Auditing for Audits of Financial Statements of Less Complex Entities” and not “International Standard for Auditing on Audits of Financial Statements of Less Complex Entities.”

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

In section 9.5. we recommend improving the reference to the tables as follows:

- 9.5.1.A should only refer to table A
- 9.5.1.B should only refer to table B

In Table C under paragraph 9.5.1.F the footnote 78 is missing in the footnote section.

In relation to paragraph 9.6.3. we would be interested why the differentiation between corresponding figures and comparative financial statements was not made.

Further we were wondering about the requirement of the other matter paragraph as this is optional in relation to corresponding figures under ISA 710.13.

5. Accounting Firms
ETY sas
Editorial to the International Auditors Report – Basis for Opinion on page 141 of 170:

PriceWaterhouseCoopers
Paragraph 9.5.2 - This paragraph logically follows on from paragraph 9.4.3 and we recommend it be relocated so that these paragraphs are read consecutively.

7. Professional Accountancy and Other Professional Organizations
ASSIREVI

In addition please note that the tables include a reference to note 78 which is not present in the Draft ISA for LCE.

Institute of Certified Public Accountants of Kenya


Nordic Federation of Public Accountants

However, paragraph 9.6.3 compared to ISA 710.13 lacks the words: “...and decides to do so...”. We strongly suggest adding this since not including that would have a massive effect on an auditor’s reporting.

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


Pan-African Federation of Accountants (PAFA)


8. Academics

Hunter College Graduate Program

Section 9.5 (ED Pg 143)
Table C below sets out specific circumstances when the auditor’s opinion is to be modified, and the types of opinions expressed in those circumstances based on the nature of the matter giving rise to the modification in those circumstances (see Table A). Table C is not an exhaustive list of all circumstances when the auditor’s opinion is to be modified.

Section 9.5.1.G Table C (ED Pg 145) The auditor concludes, based on the audit evidence obtained, that the opening balances contain a misstatement that materially affects the current period’s financial statements, and the effect of the misstatement is not appropriately accounted for or not adequately presented or disclosed.

Section 9.5.1.H Table C (ED Pg 145) The auditor concludes, based on the audit evidence obtained, that the current period’s accounting policies are not consistently applied in relation to reflected in the opening balances in accordance with the applicable financial reporting framework or a change have not been consistently applied in the current period’s financial statement, or changes thereto in accounting policies is not appropriately accounted for or adequately presented or disclosed, in accordance with the financial reporting framework.

Section 9.5.1.O Table C (ED Pg 146) The auditor concludes, based on the audit evidence obtained, that the current period’s financial statements are misleading.

Section 9.5.1.W Table C (ED Pg 147) The auditor is unable to perform an alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory cannot be performed.

Section 9.5.1.S Table C (ED Pg 147) The auditor is unable to obtain sufficient appropriate audit evidence if when evaluating management’s assessment of the entity’s ability to continue as a going concern, if the period is less than twelve months from the date of the financial statements, and management does not make or extend its assessment, leading to the auditor being unable to obtain sufficient appropriate audit evidence.”

Section 9.5.1.W Table C (ED Pg 148) The auditor is unable to obtain sufficient appropriate audit evidence.

Section 9.5.1.Y Table C (ED Pg 148) The financial statements are prepared in accordance with a compliance framework and, in extremely rare circumstances, the auditor concludes, based on the audit evidence obtained, that such financial statements are misleading.

Section 9.6.3 (ED Pg 150)
If the financial statements of the prior period were audited by a predecessor auditor, in addition to expressing an opinion on the current period’s financial statements, the auditor shall state in an Other Matter paragraph that:
(a) That the financial statements of the prior period were audited by a predecessor auditor;

Specific Questions:
Section 4E – Content of ED-ISA for LCE
Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements?
Question 10(a) The presentation, content and completeness of Part 9
2) Agree with Comments
2z) Other Comments

4. National Auditing Standard Setters
Austrian Chamber of Tax Advisors and Public Accountants (KSW)
Section 9.6. describes all other paragraphs in the Auditor’s Report. Also, the paragraph in relation to a Material Uncertainty Related to Going Concern is included. In order to emphasize the importance of a Material Uncertainty Related to Going Concern we recommend reordering the section and include a separate heading right at the beginning of section 9.6. for “Material Uncertainty Related to Going Concern paragraph” and include a separate paragraph (9.6.1.) containing the requirements according to ISA 570.22. Consequently, splitting table D into table D containing the information in relation to Going Concern (9.6.6.) and a table E for the Emphasis of matter paragraph (9.6.7.) and the other matter paragraph (9.6.8.).

In relation to paragraph 9.6.3. we would be interested why the differentiation between corresponding figures and comparative financial statements was not made.

Further we were wondering about the requirement of the other matter paragraph as this is optional in relation to corresponding figures under ISA 710.13.

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

Famme & Co. Professional Corporation
We believe Tables A, B and C are very useful, and should be included in the EEM.

Mazars
All requirements in the ISA, applicable for LCE, are included as requirements in ISA for LCE. In our view this means that an opinion based on ISA for LCE has the same level of assurance as ISA. We think that the auditor’s report should be the same for ISA and ISA for LCE except for reference to the applicable ISA used. Requiring that the auditor’s reports should be different would not be a simplification rather introducing two parallel systems for forming opinions.

6. Public Sector Organizations
Office of the Auditor General of Alberta
We note that ISA 700 will need to be updated to refer in the auditor’s report to ISA for MCE, consistent with the logic that ISA for LCE and ISA for MCE are separate standards.

7. Professional Accountancy and Other Professional Organizations
Accountancy Europe
The tables A, B and C are very useful to identify the requirements for which modified opinion is to be used in different situations. These tables should be included in eIS in a user-friendly format.

Chamber of Auditors of the Czech Republic
Yes, we agree with the overall approach taken by the IAASB. We further propose to distinguish (also in the table itself) the qualification of the audit opinion due to a material misstatement and due to insufficient audit evidence.
Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants

Subject to our comments in part (b), we agree with the approach taken with regard to auditor reporting requirements. We find that having the illustrative auditor's reports in an appendix would be more consistent with what we currently have in the ISA 700 series.

Institute for the Accountancy Profession in Sweden (FAR)

General: All requirements in the ISA:s, applicable for LCE, are included as requirements in ISA for LCE. In our view this means that an opinion based on ISA for LCE has the same level of assurance as ISA. We think that the auditor's report should be the same for ISA and ISA for LCE except for reference to the applicable ISA used. Requiring that the auditor's reports should be different would not be a simplification rather introducing two parallel systems for forming opinions.

Institute of Chartered Accountants of Pakistan

We agree with the presentation, content and completeness of Part 9 of the proposed standard. We believe that the only difference between an auditors' report issued under the ISAs and under the proposed ISA for LCE would be the framework used to provide a basis for the audit opinion.

International Federation of Accountants’ Small and Medium Practices Advisory Groups

Table C of Part 9 is helpful. However, it may be too prescriptive, and this approach is not used in other ISAs, so perhaps the IAASB may consider including the table in the Reporting Supplemental Guide as an alternative.

We believe that section 9.3.3 should specifically include the option to resign from the engagement – when not precluded by law or regulation – when the auditor determines that they cannot continue with an audit engagement, perhaps due to circumstances similar to those noted in section 8.6.5.

Korean Institute of Certified Public Accountants

However, we believe that guidelines or examples on auditor reporting should be included in case the auditing standard used for current period is different from the one used for the previous period with regard to 9.7. Comparative Information, as described in paragraph 140 of Explanatory Memorandum.

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

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

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

It is preferable that a specified format and content of an unmodified auditor’s report is presented in the Reporting Supplemental Guide.

8. Academics

Accounting and Finance Association of Australia and New Zealand

We broadly agree with the approach taken with regard to auditor reporting in that specific reference is made to the auditing standard with which the auditor’s opinion is formed. We caution, however, that an unintended consequence may be that users incorrectly infer meaning from the use of the standalone standard and may perceive that a lower level of assurance is provided. We suggest that a broad education program would be necessary to address this potential unintended consequence.

In the interests of transparency, we support the Auditor’s Report referring to the standalone standard as the basis upon which work has been undertaken and the opinion formed. We do note, however, that a consequence of this is that users may look to infer characteristics of the entity from the use of the standalone standard. There is some research evidence to suggest that users may look to make inferences about the entity on the basis of the information contained in KAMs (see Gold and Heilman 2019 for a review), and information on the standard(s) used to achieve reasonable assurance may similarly lead to inferences that may be incorrect. For example, is ‘less complex’ ‘less sophisticated’? Will a transition from the standalone standard in one year to the full suite of standards in the following year be seen as indicating greater risk or something untoward?

We are also concerned that users may incorrectly perceive the level of assurance associated with an engagement undertaken with reference to a standalone standard. Research highlights that users do not well understand the audit process and the level of assurance provided in an audit (e.g., Major et al. 2002; Gray et al. 2011). Moreover, users may perceive a lower level of audit quality with work undertaken in smaller practices (Mock et al. 2013). To the extent that users perceive this as an engagement designed for small to medium practices, and for which less work is required (i.e., audit light), it is likely that they will perceive the level of assurance to be lower than that provided by an audit undertaken with reference to the full suite of standards (and some less complex entities may prefer an audit undertaken with reference to the full suite of standards for this reason). We believe that this is an unavoidable and necessary consequence that must be borne to be transparent in reporting how the audit was
undertaken. We recommend that a broad education program would be necessary to address this potential unintended consequence.

We also support the exclusion of KAMs reporting in the proposed standard (except to the extent that listed entities may be scoped into the standard), in that while users may react more to the reporting of KAMs by non Big 4 auditors (who are more likely to audit less complex entities) (Moroney et al. 2021), research investigating the merit of mandating the reporting of KAMs is mixed (e.g., Gold and Heilman 2019) and KAMs may distract readers from the core information in an auditor’s report (Moroney et al. 2021). Therefore, we see little merit in requiring KAM disclosures in audits of less complex entities.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(a) The presentation, content and completeness of Part 9\4) Unclear or No Specific Steer\4a) Table format is Useful

5. Accounting Firms

BDO International

We believe that Tables B and C in section 9.5.1.B are extremely useful to practitioners. They present the various situations very clearly and succinctly, which will help ensure that practitioners can easily find this guidance. The IAASB may want to consider adding these tables to the relevant sections in the full suite of ISAs.

7. Professional Accountancy and Other Professional Organizations

ASSIREVI

The presentation of information in tables is consistent with the need for a single guide that includes all aspects of an audit of an LCE.

South African Institute of Chartered Accountants (2)

The tabular presentation of the modified opinions is neat and may be easy to understand for most practitioners.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(a) The presentation, content and completeness of Part 9\4) Unclear or No Specific Steer\4c) Report Could Reference ISAs

4. National Auditing Standard Setters

Australian Auditing and Assurance Standards Board

Auditor reporting requirements in the proposed LCE standard

Our stakeholders had mixed views about the approach taken in ED-ISA for LCE Standard with regard to auditor reporting requirements. However, there was a clear consensus that including the requirement in the proposed standard that the auditor’s report state that the audit was conducted under a separate LCE standard means users of the auditor’s report may perceive that the separate standard results in a lower level of assurance, a less robust audit approach and reduced audit effort. In turn, this raised concerns about the use of the LCE standard resulting in an unintended expectation of reduced audit fees.

Refer to paragraph 11(d) of the attached covering letter.

Our stakeholders had mixed views about the approach taken in proposed ED-ISA for LCE Standard with regard to auditor reporting requirements. However, there was a clear consensus that including the requirement in the proposed standard that the auditor’s report state that the audit was conducted under a separate LCE standard means users of the auditor’s report may perceive that the separate standard results in a lower level of assurance, a less robust audit approach and reduced audit effort. In turn, this raised concerns about the use of the LCE standard resulting in an unintended expectation of reduced audit fees.

The AUASB considers that if reasonable assurance is achieved and the audit work is proportionate to the nature of an LCE audit engagement, then there should be no need to premise this as an audit under a separate standard in the audit report. While supportive of transparency, the AUASB considers that this transparency may infer that an audit conducted using the proposed ED-ISA for LCE Standard is perceived as a second-rate assurance product, resulting in very limited acceptance of the standard.

5. Accounting Firms

BDO International
We do not agree with the requirement to refer to ‘ISA for LCE’ in our auditor’s report if practitioners still need to comply with all relevant ISA requirements and obtain reasonable assurance. While referring to ‘ISA for LCE’ is more transparent to users, many feel that it just increases the expectation gap and may prevent practitioners from adopting the LCE standard when the work/documentation requirements are the same as those in the ISAs. If the IAASB revises the proposed LCE standard such that there were reduced performance and documentation requirements, possibly resulting in a lower level of reasonable assurance, then we believe it would be critical to refer to the ‘ISA for LCE’ in the auditor’s report.

SRA
Taking into account the comments provided under 1.(a) and 1.(b) above, the reference in the auditor’s report should be to ISA’s and not to ISA’s for LCE, to avoid confusion with stakeholders about the status of the audit which has been performed.

7. Professional Accountancy and Other Professional Organizations

CPA Australia
Presentation/content/completeness: We consider that specific reference to the LCE standard in the auditor’s report should not be necessary as the audit outcome should be the same whether the ISAs were used or the LCE standard. It may create a concern for users that the LCE audit is different or of a lesser quality than an audit under the ISAs. As the audit product should be exactly the same whether the ISAs or LCE standard are applied, it will create unnecessary confusion for users as to whether the auditors’ reports are comparable. If entities have a perception that an audit under the ISAs is preferable, particularly as there will be no anticipated costs saving, they may request the LCE standard not be used. To enable generic referencing of the ISAs, it may be necessary for the LCE standard to be titled as an auditing standard so that the auditor’s report can continue to state “We conducted our audit in accordance with International Standards on Auditing (ISAs)” or national equivalents.

9. Individuals and Others

Rodoula Roussou
Since the level of assurance for an Audit of a Less-Complex Entity using the Standard under discussion should not be considered as different compared to the level of assurance provided by all other ISAs, the audit report should have the same form and wording as the existing types of the audit report as stated in ISA 700. The reference “…we conducted our audit in accordance with the ISA for LCE” could cause several concerns and confusion to the intended users of the financial statements and our audit report. As discussed above in 1(a) the reference gives the false message of a lower level of quality and together with the difficulties and cost from changing from ISAs for LCE to ISAs and back and the lack of flexibility to top-up, where necessary, would make the standard not effective. It will only be used as a guide, how to perform an audit for an LCE, but with the existing ISAs.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(a) The presentation, content and completeness of Part 9\(4) Unclear or No Specific Steer\(4d) Prefer Requirements

4. National Auditing Standard Setters

Institut der Wirtschaftspruefer in Deutschland e.V. (IDW)
With respect to a) regarding the presentation and content of the rest of Part A, we note that the use of the tables instead of the requirements as written in the ISAs may make it difficult to adopt the standard in some jurisdictions – particularly those jurisdictions in which the requirements need to be in form of a statutory or regulatory instrument of some sort.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(a) The presentation, content and completeness of Part 9\(4) Unclear or No Specific Steer\(4e) Additional Requirements to Consider

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 23/ISA for LCEs paragraph 9.5.1 Q-R
ISA 705, paragraph 11/ - (omitted from Exposure Draft)
ISA 705, paragraph 13/ - (omitted from Exposure Draft)
ISA 705, paragraph 14/ - (omitted from Exposure Draft)
ISA 705, paragraph 24/ - (omitted from Exposure Draft)
ISA 720, paragraph 13/ISA for LCEs paragraph 9.8.1
ISA 720, paragraph 19/ - (omitted from Exposure Draft)

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

In relation to a) as well, we have identified a number of matters related to lack of completeness of Part 9:

Paragraph 9.4.1.(a) does not specify what the "significant elements of the specified format and content" are. Paragraph 50 of ISA 700 listed the specific elements that need to be included with great care for circumstances when law or regulation of a particular jurisdiction prescribe the layout or wording of the auditor’s report. We therefore recommend that the elements listed in paragraph 50 be included in Part 9.

Part 9 ignores the important role national standards have for auditor reporting as reflected in paragraphs 51 and 52 of ISA 700: often it is national standard setters that adopt and, as necessary, adapt standards – and in particular auditors’ reports – for their jurisdiction and then create national standards that – to the extent legally possible – are in compliance with the ISAs. Even when the IAASB LCE auditing standard is adopted, in many cases reference will be made in the auditor’s report to national standards that have adopted the LCE auditing standard in some way and that references to the IAASB LCE standard will be in addition to – rather than instead of – the reference to the national standard adopting the IAASB LCE standard. We therefore strongly recommend that paragraphs 51 and 52 of ISA 700 be included in Part 9 of the IAASB LCE standard.

Missing from Part 9 is the requirement in paragraph 15 of ISA 705 prohibiting piecemeal opinions when expressing an adverse opinion or disclaimer of opinion on the financial statements as a whole. By not including this prohibition, auditors might issue such piecemeal opinions in auditors’ reports under the LCE standard, which would undermine LCE audits. We therefore recommend that paragraph 15 of ISA 705 be included in Part 9.

Also missing from Part 9 is the requirement in paragraph 27 of ISA 705 that requires all matters that would lead to a modification to be included in the auditor’s report when the auditor expresses an adverse opinion or disclaimer of opinion. This requirement had been introduced to prevent the practice of management masking important matters in the financial statements from stakeholders by forcing an adverse opinion or disclaimer of opinion. We therefore recommend that paragraph 27 of ISA 705 be included in Part 9.

5. Accounting Firms

BDO International

ISA 705 paragraph 10 regarding multiple uncertainties has been excluded from the proposed standard because it is expected to only arise in rare circumstances. However, if this situation only comes to light at the end of the audit when forming the opinion, it is not feasible to transition to a full LCE audit at that point. Therefore this requirement should be added to the proposed LCE standard.

Ernst & Young Global Limited

We are concerned that the presentation of the auditor reporting requirements in the ED-ISA for LCE will result in unintended consequences because the ED-ISA for LCE summarizes the reporting requirements from the auditor reporting standards and thus different interpretations could be made from the summary than from the full ISAs. In our view, Part 9 is helpful, but we do not believe it replaces or includes all relevant guidance from the ISAs and creates a risk of inappropriate or incomplete reporting when a report other than an unmodified report is appropriate in the circumstances. We have the following specific comments regarding Part 9:

The current version of the ED-ISA for LCE or the Reporting Supplemental Guidance does not provide sufficient guidance or examples for situations specified in ISA 705.10-13, 15, and 24 or ISA 710.11 and 18. As a result, if any of these excluded scenarios exist, the auditor will have to transition the engagement to the ISAs after the entire audit has already been completed because the IAASB has stated that if there is a circumstance that has not been addressed within the ED-ISA for LCE relevant ISA requirements cannot be referenced to address the deficiency. We suggest that the IAASB revisit if these scenarios from ISA 705 and ISA 710 should be included in the ED-ISA for LCE.

Table C Specific Circumstances When the Auditor’s Opinion is to be Modified 9.5.1.O – This procedure ‘If alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory cannot be performed’ is listed under external confirmations. The procedure does not appear to be related to confirmations as it refers to
inventory, unless this is intended to refer specifically to external inventory confirmations, but that is not specified. We suggest that the IAASB clarify this or move the procedure to the appropriate place in the ED-ISA for LCE.

Other Matters Paragraphs 9.6.3 - There is no EEM or guidance in the Reporting Supplemental Guidance that includes what to do if an auditor finds items to the magnitude of modifying the auditor’s report where the prior year auditor did not modify the report (ISA 710.18). The IAASB has indicated that they believe this content is addressed through the requirement in paragraph 8.8.2 relating to communication of significant matters arising during the audit and does not believe that a separate requirement in relation to this topic area is necessary. We do not believe this reporting requirement is fully addressed in paragraph 8.8.2 and suggest that the IAASB update the ED-ISA for LCE to properly reflect the requirement from ISA 710.18.

Comparative Information – Corresponding Figures and Comparative Financial Statements 9.7.3 – We suggest that EEM be added to address what happens when prior period financials are audited by a predecessor auditor. We would expect this situation to occur as LCEs certainly change auditors.

Other Information 9.8.6 - We do not believe that it is apparent to users of ED-ISA for LCE that the same requirements on handling misstatements (ISA 720.18-19) are similarly applicable to Other Information that is issued after the financial statements (as opposed to before or concurrently). In particular, if there are material misstatements in Other Information issued after the date of the financial statements that management does not intend to correct, these have a different practical path for the auditor to take as the financial statements have already been issued and would be different from the Other Information. ISA 720.19 (b) indicates that if the auditor concludes that a material misstatement exists in other information obtained after the date of the auditor’s report, the auditor shall, if the other information is not corrected after communicating with those charged with governance, take appropriate action considering the auditor’s legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom the auditor’s report is prepared. Because the audit would already have been complete, reverting the audit back to being performed under the ISAs would not be possible at this point. We suggest the IAASB address this situation in the ED-ISA for LCE.

6. Public Sector Organizations

Audit Scotland

Paragraph 9.4.12 (a) should include reference to additional auditors’ opinions that may be required, which go beyond the “compliance with law or regulation, including when law or regulation prescribes the layout or wording of the auditor’s report.” An example in many UK public sector bodies is the regularity opinion.

7. Professional Accountancy and Other Professional Organizations

ASSIREVI

However, as already noted in our response to question 7, the tables in part 9 should be supplemented to provide specific guidance about the type of opinion to be expressed. For example, there are no definitions of “pervasiveness” and “materiality”. Therefore, we recommend that the proposed standard include criteria to assist with the decision about the type of opinion to be formed or that the EEM be used to explain the parameters the auditor can refer to in order to decide what type of opinion to express.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(a) The presentation, content and completeness of Part 9\4) Unclear or No Specific Steer\4f) Additional Language in Report to Add

5. Accounting Firms

Baker Tilly International

As with ISAs the ISA for LCE should allow auditor’s responsibilities to be presented in an appendix to the audit report or by reference to an appropriate website.

7. Professional Accountancy and Other Professional Organizations

Finnish Association of Authorised Public Accountants

ISA for LCE should allow the auditor’s responsibilities to be presented on a website with reference in the Auditor’s Report, as do the ISAs.

South African Institute of Chartered Accountants (2)
To add to the comments made above as to the reasonable assurance provided by an audit of an LCE being the same as the audit of a non-LCE, there may be a need to include a paragraph indicating that the ISA LCE standard provides a similar level of assurance as an ISA audit as they both provide reasonable assurance, with the only difference being that the LCE standard is tailored for the audits of LCEs. With regards to all the other components of an auditor’s report, the auditor’s report for an LCE audit should be the same as for any audit of a non-LCE where the ISAs were used.

102. Refer to our comments in question 9 on the Illustrative Auditor’s Reports.

Specific Questions
Section 4E – Content of ED-ISA for LCE
Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements?
Question 10(a) The presentation, content and completeness of Part 9
4) Unclear or No Specific Steer
4y) Editorials

4. National Auditing Standard Setters
Hong Kong Institute of Certified Public Accountants

In paragraph 9.6.4, suggest to delete “or a section dealing with other information” as there is no guidance in Table D relating to other information section. The guidance on other information is in Table E in paragraph 9.8.9.

6. Public Sector Organizations
Auditor-General of New Zealand

<table>
<thead>
<tr>
<th>Paragraph</th>
<th>Observation</th>
<th>Possible Correction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 9.2</td>
<td>In our view, the construction of this Section is not in keeping with paragraph 98 of the Explanatory Memorandum where it is intended that there should be one thought for each paragraph and an ambition to combine the requirements from the ISA where appropriate and to avoid repetition.</td>
<td>We suggest that Section 9.2 is reviewed for the purpose of giving effect to the drafting principles in paragraph 98 of the Explanatory Memorandum.</td>
</tr>
<tr>
<td>9.2.3, 9.2.4(a) and 9.2.4(b)</td>
<td>To illustrate the above point, these paragraphs place requirements on the auditor to evaluate aspects of the entity’s accounting policies.</td>
<td>It would be preferable that these requirements are contained in one paragraph in a logical order.</td>
</tr>
<tr>
<td>9.2.2 and 9.2.4(e)</td>
<td>As a further example paragraph 9.2.2 places a requirement on the auditor to conclude whether sufficient and appropriate audit evidence has been obtained. Paragraph 9.2.4(e) requires the auditor to evaluate if the information presented in the financial statements is, amongst other things, “reliable”. These two requirements, in essence, ask the auditor to do the same thing but are expressed differently.</td>
<td>This is an example of duplication that should be removed from the proposed standard.</td>
</tr>
<tr>
<td>9.2.4</td>
<td>This paragraph places a range of requirements on auditors. There are a range of high-level requirements and requirements of detail. The requirements are not discrete, and overlap, which creates risks of duplication of effort or in missing a requirement altogether. For example, the requirement in paragraph 9.2.4(a) asks the auditor to evaluate whether the financial statements appropriately disclose the entity’s significant accounting policies, and whether they [emphasis added] have been presented in an understandable way. It is not clear if the “they” refers to the financial statements, the significant accounting policies, or both.</td>
<td>Paragraph 9.2.4 should be reviewed to give effect to the drafting principles in paragraph 98 of the Explanatory Memorandum.</td>
</tr>
</tbody>
</table>
Part 9 – Forming an Opinion and Reporting

<table>
<thead>
<tr>
<th>Para</th>
<th>Observation</th>
<th>Possible Correction</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.4.2</td>
<td>This requirement has previously been discussed as essential explanatory material after paragraph 9.3.1.</td>
<td>Perhaps this requirement should come after paragraph 9.3.1?</td>
</tr>
<tr>
<td>9.8.9</td>
<td>The table after paragraph 9.8.9 does not provide guidance if the auditor knows that other information will be included in the annual report at the time the audit report is signed, but the auditor has not read the other information.</td>
<td>Provide guidance.</td>
</tr>
</tbody>
</table>

7. Professional Accountancy and Other Professional Organizations

Finnish Association of Authorised Public Accountants

There are some missing words in paragraph 9.6.3 compared to ISA 710.13: “…and decides to do so…” Removing these would have a massive effect on an auditor’s reporting!

Polish Chamber of Statutory Auditors Warsaw (Regional Branch)

Please note the imprecise wording of headings 3 and 5 of the table marked as Table C

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(a) The presentation, content and completeness of Part 9\(4) Unclear or No Specific Steer\(4z) Other Comments

1. Monitoring Group

International Organization of Securities Commissions (IOSCO)

To the extent that the IAASB implements elements of the Paper despite our objections, we emphasize the need for clear limitations for the use of ISA for LCE, strengthening and expanding of audit planning, and clear and transparent identification in the auditor’s report of the framework under which the audit was conducted

4. National Auditing Standard Setters

Hong Kong Institute of Certified Public Accountants

Table C in Part 9 provides practical guidance to assist auditors in forming an opinion. It sets out 20 scenarios which would result in modifications to the auditor’s opinion under ED-ISA for LCE. They cover circumstances ranging from opening balances, non-compliance with laws or regulations to external confirmations.

Some of our stakeholders considered that specifying scenarios resulting in modifications would be too prescriptive, being an approach not used in other ISAs. Also, the lengthy table may mislead auditors to consider the list is inclusive of all possible modifications. This might unintentionally mislead an auditor to issue an unmodified opinion inappropriately in case of a situation not addressed in Table C.

To avoid misunderstanding, we suggest the IAASB to incorporate Table C into the Reporting Supplemental Guide rather than including it as part of the proposed standard.

5. Accounting Firms

Azets Audit Services

(a) For audits of less complex entities, there is a need to take auditor reporting back to the requirements of the stakeholders, focusing on those areas that add value to them. Stakeholder needs of a less complex entity may differ significantly, though are often not as complex as those of many other entities subject to audit in accordance with ISAs. The format of the report,
requirements and guidance appear appropriate, however further opportunity may arise that eliminates the likelihood of unnecessary boilerplate reporting being presented to the addressees of the report. An example in this context may include reporting on “other information” where the content outlined in 9.8.10 is valid, but the additional words generated on the report may add little value. It is recommended that the IAASB perform stakeholder analysis on the users of LCE auditor reports to establish their needs.

Baker Tilly International
We agree that once you construct the ISA for LCE outside the main body of ISAs then a separate report becomes inevitable but this is an undesirable outcome that enables users to conclude that the LCE audit report gives less assurance than an ISA audit report.

Price Bailey LLP
Overall this section seems to be more complicated than what is needed.

6. Public Sector Organizations
Audit Scotland

The specified format is written from a private sector perspective, using “the Company” for the entity. This should be in square brackets to recognise that “the Company” will often not be the appropriate descriptor in the public sector and may not in all cases be appropriate in the private sector.

7. Professional Accountancy and Other Professional Organizations
Association of Practising Accountants
Overall this section seems to be more complicated than may be needed, particularly in relation to the audit report.

Finnish Association of Authorised Public Accountants
We support the fact that Auditor’s Report given on an LCE audit is similar to the one given on an ISA audit.

Institute of Chartered Accountants in England and Wales
Several reporting elements are presented in tabular form and while this is easy to read, it is different to what auditors are used to and they may assume that it is simply a summary.

Self-Regulatory Organization of Auditors Association (SRO AAS)
However, we note that the understanding of Part 9 regarding the preparation of audit opinions is difficult without the application of the relevant ISAs 700 series. The principles of including Emphasis of Matter Paragraphs and Other Matter Paragraphs are not clearly spelled out. The perception of the principles of opinion modification is difficult, and the guidance is unclear. The format of the examples of audit reports is somewhat different from that given in the ISAs 700 series, which may lead to a lack of uniformity of audit reports due to the use of different standards.

South African Institute of Chartered Accountants (2)
There is no need for different audit report templates. The same audit report templates that are currently included in the suite of ISAs should suffice.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(b) - The approach to include a specified format and content of an unmodified auditor’s report as a requirement\1) Agree

3. Regulators and Audit Oversight Authorities
Botswana Accountancy Oversight Authority
We agree with the approach taken in ED-ISA for LCE regarding the reporting requirements.

Independent Regulatory Board for Auditors (IRBA)
Yes, we agree with this approach.

4. National Auditing Standard Setters
Australian Auditing and Assurance Standards Board
The AUASB supports a prescribed form of report being in the requirements of the proposed ED-ISA for LCE Standard and supports further auditor’s report examples being released by the IAASB in a separate supplemental guide.
Austrian Chamber of Tax Advisors and Public Accountants (KSW)
Yes, we agree.

Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l’Ordre des Experts-Comptables
Yes, we agree with the approach taken in the ED to include a specified format and content of an unmodified auditor’s report as a requirement.

Indonesian Institute of Certified Public Accountants (IAPI)
Response: Yes

Institute of Chartered Accountants of India
For Part 9, we agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements, including:

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

Malaysian Institute of Accountants
The present approach where the “standard” report is included in the requirements, while additional examples and illustrations is presented in the Reporting Supplemental Guide should be the way forward.

Public Accountants and Auditors Board Zimbabwe
Response: Yes we agree

5. Accounting Firms

ETY sas
Yes, we agree with this approach.

KPMG IFRG Limited
We believe this approach will be responsive to the majority of LCE audits and avoid unnecessary clutter/confusion.

PKF International Limited
We are in agreement with each of these aspects of Part 9.

PriceWaterhouseCoopers
We also support the proposal to include a specified form and content of the auditor’s report. For entities of a size and nature that we describe in our response to question 3(a), there should be little need to deviate from this standard wording.

6. Public Sector Organizations

Office of the Auditor General of Alberta
We agree with the below items, including the removal of Other Information from the auditor’s report.

Swedish National Audit Office
Yes, we agree with the approach taken on auditor reporting, including the presentation etc.

7. Professional Accountancy and Other Professional Organizations

Chamber of Auditors of the Czech Republic
Yes, we agree with the overall approach taken by the IAASB.

Chamber of Auditors of the Republic of Azerbaijan
10. We basically agree with the approach accepted in Part 9 of the ED-ISA for LCE to formulation of requirements to auditor reporting on all specified aspects.

Chamber of Financial Auditors of Romania
(b) The use of a specific format we consider to be a strong point. The format and content of an unmodified auditor’s opinion is in line with the core provisions of ISA 700.

Chartered Governance and Accountancy Institute in Zimbabwe
We agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements.

Confederation of Swedish Enterprise
Response: We support the chosen approach.

**CPA Ireland**  
We agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements.

**Eurasian Group of Accountants and Auditors**  
We agree with the approach of defining the format and content of the unmodified auditor's report as a mandatory requirement of the standard.

**European Federation of Accountants and Auditors for SMEs**  
We agree with the approach taken for auditor reporting requirements.

**Federation of Accounting Professions of Thailand**  
Agreed in the approach to include a specified format and content of an unmodified auditor's report as a requirement.

**Indonesian Committee on Public Accountant Profession (KPAP)**  
KPAP agrees with the approach taken in ED-ISA for LCE concerning auditor reporting requirements, including the presentation, content, and completeness of Part 9; approach to include a specified format and content of an unmodified auditor's report; and approach to providing examples of auditor's reports in the supplemental reporting guide.

**Institute of Certified Public Accountants in Israel**  
ICPAI believes that the proposal to include a specified format and content of an unmodified auditor's report should be adopted.

**Institute of Certified Public Accountants of Kenya**  
Yes, we agree with this approach.

**Institute of Certified Public Accountants of Rwanda**  
Response: We agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements, including those stated in a, b and c above.

**Institute of Certified Public Accountants of Uganda**  
We agree with the approach to include a specified format and content of an unmodified auditor's report.

**Institute of Chartered Accountants of Jamaica**  
Response: YES

**Institute of Chartered Accountants of Namibia**  
We agree with requiring a specific format unless laws and regulations require specific formats.

**Institute of Chartered Accountants of Scotland**  
We agree with the approach taken in ED-ISA for LCE with regard to the auditor reporting requirements.

**Instituto dos Auditores Independentes do Brasil**  
Agree.

**Instituto Mexicano de Contadores Públicos (IMCP)**  
We consider appropriate and convenient to include the format of the auditor's report in this section as it is a relevant part of the auditor's work and helps to link the requirements set forth in this section with the respective report.

**Korean Institute of Certified Public Accountants**  
We agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements and its approach to include a specified format and content of an unmodified auditor's report as part of a requirement and to provide example auditor's reports in the Reporting Supplemental Guide.

**Malaysian Institute of Certified Public Accountants**  
We are supportive of this approach.

**Ordre National des Experts Comptables et des Comptables Agréés du Burkina Faso (ONECCA-BF)**  
Yes, we agree with this approach.
Pan-African Federation of Accountants (PAFA)
b) Yes, we agree with this approach.

REA Auditores
We agree with the approach taken for auditor reporting requirements.

Self-Regulatory Organization of Auditors Association (SRO AAS)
We agree with the approach that defines the format and content of an unmodified audit report as a mandatory requirement of the standard.

Society of Certified Accountants and Auditors of Kosovo (SCAAK)
We agree with the approach taken for auditor reporting requirements.

Wirtschaftsprüferkammer (WPK)
We agree with the approach taken.

8. Academics

Accounting and Finance Association of Australia and New Zealand
We agree with the approach to include a specific format and content of an auditor’s report as a requirement.

Consistent with the desired standalone nature of the standard, we support the approach taken in including a specified format and contents of an unmodified report as a requirement. While research suggests that the auditor’s report is seen as being largely symbolic with little communicative value (e.g., Coram et al. 2011; Mock et al. 2013), variations across reports for audits undertaken with reference to different standards will likely undermine the engagement as one that provides reasonable assurance. Therefore, we support the consistency in reporting across audits undertaken with reference to the full suite of standards and audits undertaken with reference to the proposed standalone standard for less complex entities.

Argentine institute of Auditing Professors
We agree with the approach taken in section 9 with respect to all the requirements for forming an opinion and the related auditor’s report.

Hunter College Graduate Program
Yes, we agree with the approach taken in ED-ISA for LCE regarding auditor reporting requirements, including the approach to include a specified format and content of an unmodified auditor’s report as a requirement. ED-ISE for LCE Part 9 (Pg. 141 and 142) reflects the new changes on moving the opinion to the first part of the report, disclosing responsibility of management and the auditor for going concern issues and expanding the disclosure of auditor responsibilities.

9. Individuals and Others

ASK KSA Consulting Inc.
We agree with the approach taken with regard to auditor reporting requirements. We feel it is important from a transparency perspective to reference ED-ISA for LCE.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(b) - The approach to include a specified format and content of an unmodified auditor’s report as a requirement\2) Agree with comments\2a) Additional Changes to Report

5. Accounting Firms

Ernst & Young Global Limited
Additionally, because the outcome of the audit using ED-ISA for LCE and an ISA audit will result in the same report, a potential unintended consequence of the ED-ISA for LCE is that stakeholders may not value an opinion that indicates an audit was performed in accordance with the ED-ISA for LCE. Referencing the ED-ISA for LCE may impact the perception of the quality of the audit undertaken, the perceived value of the audit and increase confusion amongst users of financial statements if they do not understand the difference between an ISA audit and an ISA for LCE audit. If the ED-ISA for LCE is intended to provide the same level of assurance that the ISAs provide (i.e., reasonable assurance), then stakeholders need to have sufficient transparency of the differences between the ED-ISA for LCE and the ISAs. If stakeholders find it difficult to determine the differences between an audit performed under the ED-ISA for LCE and an audit performed under the ISAs, a perception could be created that a different or lesser level of assurance will be obtained through application of the ED-ISA for LCE., irrespective of
whether the same level of assurance is obtained. Users need to understand that application of the full suite of ISAs involves addressing many audit circumstances that are not present or relevant in audits of LCEs, and therefore are not included in the ISA for LCE. In our view, the auditor’s report on ED-ISA for LCE should provide transparency about the nature of the entity audited being less complex and about the difference between an ISA audit and ISA for LCE audit. For example, the auditor’s report for a LCE could be expanded to help users understand that an audit of a LCE is a streamlined application of the full suite of ISAs since certain audit circumstances do not exist in LCEs.

Grant Thornton International Limited
We support the proposal to include an auditor’s report with a specified form and content. However, in relation to the disclosure of ‘Auditor’s Responsibilities for the Audit of the Financial Statements’ in the auditor’s report, we are of the view that the same flexibility for how this is presented under ISA 700 (Revised) paragraph 42, which allows certain of the auditor’s responsibilities to be described on the website of an appropriate authority with a cross reference to that website included the auditor’s report, would be appropriate. For many less complex entities, where the owners are more involved with the day-to-day operation of the business, communication of the auditor’s responsibilities is often more informal and achieved through the day-to-day interactions between the owners and the auditors.

MHA Monahans
We agree with the approach taken in part 9. We encourage the IAASB to include the UK ISA requirement for the auditor’s report to explain to what extent the audit was considered capable of detecting irregularities, including fraud.

7. Professional Accountancy and Other Professional Organizations
Chartered Accountants Ireland
We agree with the approach taken in regard to auditor reporting, however we consider that a cross reference to a regulator’s website for a description of auditor’s responsibilities should be allowed.

Institute of Chartered Accountants of Pakistan
Yes, we believe that the specified format and content of an unmodified auditors’ report should be included as a requirement rather than presented as supplemental material. However, we propose to include a title of section ‘other legal and regulatory requirements’ in the sample unmodified auditor’s report.

9. Individuals and Others
Vera Massarygina
Yes, but it may appear rational to widen the point of a material uncertainty relating to going concern in the auditor’s report (para.9.6.4

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(b) - The approach to include a specified format and content of an unmodified auditor’s report as a requirement\2) Agree with comments\2c) Report Could Reference ISAs

5. Accounting Firms
MNP LLP
We agree with the approach to include a specified format and content as a requirement, except for where the auditor’s report references the audit as being performed in accordance with ISA for LCE. We believe that having the auditor’s report reference a separate ISA may cause confusion amongst report users or create a false perception that ISA for LCE provides a lesser level of assurance. In certain scenarios with two-year opinions, this can result in two different auditing standards being referenced in the auditors’ report. If an audit of a LCE under the proposed standard achieves the same level of reasonable assurance as an audit in accordance with the extant ISAs, and as stated in paragraph 101 of the ED, “it is not envisioned that ED-ISA for LCE will necessarily reduce the core procedures the auditor is required to perform to support the overall quality of the audit”, we believe it would reduce the risk of misunderstanding by containing the ISA for LCE within the existing catalogue of ISAs (e.g., as ISA 1000) in order to keep the auditor’s report reference to the auditing standards the same regardless of which audit approach is taken.

RSM International
However, we are concerned that specifically stating that the audit was carried out under ISAs for LCE may lead to the impression that there is a different level of assurance for these audits. If an audit performed under ED-ISA for LCE results in the same reasonable assurance as an audit carried out under ISAs, we suggest that the opinion refers to ISAs, not the LCE
standard. If this proposal is adopted auditors would need to make clear in their communications with Those Charged With Governance and others that the use of ISA for LCE, does not, as currently drafted, result in a different level of assurance.

**Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(b) - The approach to include a specified format and content of an unmodified auditor’s report as a requirement\2) Agree with comments\2x) Other Supporting Comments**

5. Accounting Firms

**Ernst & Young Global Limited**

We support the approach to include a specified format and content of an unmodified auditor’s report as a requirement within the ED-ISA for LCE. The presentation of the report through inclusion of a direct example is the easiest way to demonstrate and remove the complexity of bringing the related ISAs into a single streamlined ED-ISA for LCE.

**RSM International**

We agree with the format of the auditor’s report and note that it can be adapted for local legislative or regulatory requirements.

**5. Accounting Firms**

**Crowe Global**

We do not have an issue with including a specified format in Part 9, but in practice, most auditors will report using a national template developed and issued by national regulatory authorities and standard setters, reflecting the application of national law and regulation, and of the standard as adopted in that country. The report included in Part 9 can assist national authorities and standard setters.

**Ernst & Young Global Limited**

However, we believe that we cannot assume that a LCE will have an unmodified audit opinion. We believe that there will be unintended consequences, such as misinterpretation of the reporting standards, by creating a summarized version of the auditor reporting standards in the ED-ISA for LCE.

We suggest that the IAASB revisit the standalone approach of the ED-ISA for LCE for auditor reporting and consider referring directly to the ISA 700 series in the ED-ISA for LCE. We have the same recommendation should the IAASB pursue narrowing the scope of the standard (i.e., refining the Authority as recommended in our response to Q1(a)). We believe that the authoritative reporting guidance should be that of the full ISAs, unless there will be specific differences in reporting requirements for audits of LCEs.

**Grant Thornton International Limited**

Whilst we support the proposed approach of a specified form of auditor’s report, we note that its presentation in Part 9 results in some 11 footnotes to enable auditors to appropriately tailor the report. We question whether this will be the most effective way to highlight the items that need to be tailored and recommend that consideration is given to ways in which the footnotes could be integrated with the requirements included in Part 9.
7. Professional Accountancy and Other Professional Organizations
International Federation of Accountants’ Small and Medium Practices Advisory Groups

Generally, yes, the SMPAG believes that similar to the ISAs, the specified format and content of an unmodified auditors’ report should be a requirement rather than presented as supplemental material. However, there were concerns raised by some members of the SMPAG about allowing flexibility for jurisdictions to modify as needed.

**Specific Questions**
Section 4E – Content of ED-ISA for LCE

**Question 10** - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements?

**Question 10(b)** - The approach to include a specified format and content of an unmodified auditor’s report as a requirement

3) Disagree

3a) Too Rigid

7. Professional Accountancy and Other Professional Organizations
Accountancy Europe

There is a need to balance the reporting requirements of the standard with some flexibility in the actual wording of the auditor’s report at national level. Therefore, instead of requiring specific wording; paragraph 9.4.1 of the ED ISA for LCE should reflect the requirements set forth in the ISA 700 (including paragraph 51).

9. Individuals and Others
Cristian Munarriz

I do not think requiring a specified format and content may be appropriate due to the diverse requirements in different jurisdictions. A more flexible approach may be needed to accommodate different jurisdictions.

**Specific Questions**
Section 4E – Content of ED-ISA for LCE

**Question 10** - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements?

**Question 10(b)** - The approach to include a specified format and content of an unmodified auditor’s report as a requirement

3) Disagree

3c) Report Could Reference ISAs

6. Public Sector Organizations
Auditor-General of New Zealand

Reference to the ISA for LCE in the auditor’s report

As explained in our response to Question 2, we question why an auditor, in appropriately applying the proposed standard to a less complex entity, cannot assert compliance with the ISA.

7. Professional Accountancy and Other Professional Organizations
Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants

While the majority of practitioners are supportive of the need for the auditor to communicate with those charged with governance that the engagement will be performed under ISA for LCEs, there are mixed views on whether it is necessary for the auditor’s report to also reference the standalone standard. Those who are against it raised concerns with the expectation gap and a push from users to lower audit fees for ISA for LCEs engagements. They expressed the view that if the requirements in the ED are all from the ISAs, it is, in essence, still an ISA audit designed to give reasonable assurance. The counter argument is the need for transparency in communications from the auditor.

As noted in our general comments, we find the issue of perception to be the most challenging issue that the IAASB needs to address in order for the standard to be widely adopted. In our view, given that the ED-ISA for LCE has been developed using the requirements that exist in the full ISAs, using the same underlying principles and it provides reasonable assurance at the same quality as the full ISAs do, that it should be part of the suite of ISAs. We also support the view that audits conducted using this standard should reflect this by referring to the full ISAs rather than the standalone standard in the auditor’s report.
Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(b) - The approach to include a specified format and content of an unmodified auditor’s report as a requirement\3) Disagree\3) Other Comments

4. National Auditing Standard Setters
Institut der Wirtschaftspruefer in Deutschland e.V. (IDW)
With respect to b) regarding the approach to include a specified format and content of an unmodified auditor’s report as a requirement, we note that our discussions with our stakeholders when we drafted our German LCE standards and discussed the IAASB LCE standard indicated to us that, since both sets of standards are designed to achieve reasonable assurance, there should be no difference between the requirements for reporting under the ISAs and reporting under both sets of LCE standards (other than the reference to the LCE standards rather than the ISAs), because any differences might be construed as indicating that the results of the audit may be different. While we recognize the efforts of the IAASB to keep its LCE standard short by using a required specified format and content, from our point of view it is much more important that the requirements are the same, because when writing the requirements for ISAs 700, 705 and 706, the IAASB sought a very delicate balance between definitive requirements with respect to wording and flexibility in the wording for an international environment – flexibility that is often needed at a national level. By seeking to include a specified format and content as a requirement, we believe the IAASB has upset this balance. It is for these reasons that – despite the length of the reporting requirements in ISAs 700, 705 and 706 – we chose to include all of the relevant requirements in our German LCE standards, rather than seeking short-cuts. Also for these reasons, we do not believe that including a specified format and content for an unmodified auditor’s report as a requirement is a tenable solution at an international level. Therefore, we believe that the IAASB should include all of the relevant reporting requirements from the ISAs in its LCE standard, rather than requiring a specified content and form. Doing so would also ensure the completeness of the requirements.
We also note that the presentation of the required report with “footnotes” as requirements may make it difficult to adopt the standard in some jurisdictions – particularly those jurisdictions in which the requirements need to be in form of a statutory or regulatory instrument of some sort – which is another reason why the requirements rather than a required specified content and form ought to be used.

5. Accounting Firms
BDO International
We do not see the need to include a specified format of an unmodified auditor’s report as a requirement in the LCE standard. In some jurisdictions, local regulations may mandate a format for the report or may require long form reports. As long as those reports cover the minimum requirements for content in the LCE standard, that should be sufficient.

6. Public Sector Organizations
Auditor-General of New Zealand
We disagree with the approach to include a specified format and content of an unmodified auditor’s report as a requirement. We think it should be included as an example, not a requirement. Such an approach is consistent with ISA 700 (Revised).

If the specified format and content is to be required, we think the reasons for departing from the specified format and content need to be wider. Under paragraph 9.4.1(a) of the proposed standard, the format and content of an unmodified auditor’s report can only be amended where such amendment is “required for compliance with law or regulation, including when law or regulation prescribes the layout or wording of the auditor’s report”.

The Auditor-General is required by legislation to publish the auditing standards that the Auditor-General intends to apply to audits (the Auditor-General’s auditing standards). In those standards, the Auditor-General prescribes the layout and wording of an auditor’s report issued by, or on behalf of, the Auditor-General. This includes wording to explain the unique responsibilities placed on the Auditor-General by legislation. Our particular problem is that the Auditor-General’s auditing standards, while made under legislation, are not themselves “law or regulation”. Our interpretation of paragraph 9.4.1(a) of the proposed standard is that complying with the Auditor-General’s auditing standards would not be sufficient reason for amending the specified format and content of an unmodified auditor’s report required by the proposed standard. We think it should be.

Reference to Other Information in the auditor’s report
We suggest that the audit report under paragraph 9.4.1 should make provision for “other information” by referring the auditor to Section 9.8. However, we note that an “other information” heading will not be required if the entity does not include, or does not intend to include, other information in its annual report.

7. Professional Accountancy and Other Professional Organizations
Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants

It is unclear why there is a specified format for the report rather than guidance on what should be included as per ISA 700 when the audits are performed requirements for the ISAs. Most practitioners would prefer the approach to be equivalent to ISA 700. While the majority of practitioners are supportive of the need for the auditor to communicate with those charged with governance that the engagement will be performed under ISA for LCEs, there are mixed views on whether it is necessary for the auditor’s report to also reference the standalone standard. Those who are against it raised concerns with the expectation gap and a push from users to lower audit fees for ISA for LCEs engagements. They expressed the view that if the requirements in the ED are all from the ISAs, it is, in essence, still an ISA audit designed to give reasonable assurance. The counter argument is the need for transparency in communications from the auditor.

CPA Australia

Specified format: We do not support the inclusion of the auditor’s report as a requirement, but instead recommend that it be included as an illustration in an appendix, in the same way as ISA 700. The reason for this view is that there will almost always be exceptions to the base auditor’s report format, as a result of a compliance framework being applicable rather than a fair presentation framework, references needed to legislative or regulatory requirements or additional opinions being required on compliance, controls or other subject matters.

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

It is preferable that a specified format and content of an unmodified auditor’s report is presented in the Reporting Supplemental Guide.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(b) - The approach to include a specified format and content of an unmodified auditor’s report as a requirement\4) Unclear or No Clear Steer\4a) Too Rigid

5. Accounting Firms
Azets Audit Services

(b) This approach works in the context of a singular type of reporting entity, however, IAASB should consider jurisdictions (such as in the UK) where there is significant variation of core reporting requirements driven by interaction with legislation leading to different content and opinions across multiple sectors. The IAASB may consider an appendix is therefore an approach that is easier to carve-out, carve-up, supplement or replace across jurisdictions.

6. Public Sector Organizations
Audit Scotland

The approach of specifying the content and format of the auditor’s report may not be compatible with some jurisdictions. In Scotland, legislation stipulates that the Accounts Commission specifies the form of the auditor’s opinion for local government bodies.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(b) - The approach to include a specified format and content of an unmodified auditor’s report as a requirement\4) Unclear or No Clear Steer\4c) Report Could Reference ISAs

5. Accounting Firms
Famme & Co. Professional Corporation

(b) In regards to the auditor’s report, we do not see the need to specify the auditing standard being used. An audit performed under the proposed LCE standard and an audit performed under ISA (CAS) should, theoretically, result in the same audit opinion. There should be no reason for users to know which approach was taken, as long as the auditor fully complies with the standard used. We would suggest wording along the lines of “…. In accordance with (Canadian/International) generally
accepted auditing standards.” There is no benefit to the users to know which specific standard was used. The critical factor for them is to know that the audit meets all professional requirements. To introduce new terminology will only serve to further widen the expectations/knowledge gap between users and auditors. The use of this new term might lead a stakeholder to believe that a lesser quality of audit has been applied.

**SRA**

Taking into account the comments provided under 1.(a) and 1.(b) above, the reference in the auditor’s report should be to ISA’s and not to ISA’s for LCE, to avoid confusion with stakeholders about the status of the audit which has been performed.

7. Professional Accountancy and Other Professional Organizations

**Nordic Federation of Public Accountants**

In terms of referring to ISA for LCE in the audit report, we recommend the IAASB to carefully consider the pros and cons of doing so bearing in mind that audits of LCEs according to the ISAs or to this LCE standard will both result in the same audit opinion. We recognize that reference to ISA for LCE has an undisputed value from a transparency and full disclosure perspective. At the same time there might be unnecessary negative consequences such as discussions about audit fees and the robustness of the standard (an A or B audit); both factors that might affect the use of the standard.

**Specific Questions|Section 4E – Content of ED-ISA for LCE|Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements|Question 10(b) - The approach to include a specified format and content of an unmodified auditor’s report as a requirement|4) Unclear or No Clear Steer|4z) Other Comments**

1. Monitoring Group

**International Organization of Securities Commissions (IOSCO)**

To the extent that the IAASB implements elements of the Paper despite our objections, we emphasize the need for clear limitations for the use of ISA for LCE, strengthening and expanding of audit planning, and clear and transparent identification in the auditor’s report of the framework under which the audit was conducted.

4. National Auditing Standard Setters

**New Zealand Auditing and Assurance Standards Board**

Given that ED-ISA for LCE contains the relevant audit requirements from the full ISAs and achieves similar assurance, the NZAuASB considers that reference to the ED-ISA for LCE in the LCE auditor’s report risks confusing users as to the nature of the audit and the level of assurance being provided. This will further exacerbate the potential misperception that the ED-ISA for LCE is less than the full ISAs, which is a fundamental perception issue.

We also note that the specific content and format of the auditors’ report would further complicate the transitioning provision requirements, as discussed in Question 13 below. The auditors’ report should be more flexible in stating the basis of auditing standards being used.

However, this concern is not shared by all stakeholders we engaged with. The smaller audit firms and sole practitioners do not think referencing ED-ISA for LCE in the auditor’s report will cause a concern to users of financial statements, as it provides the same level of assurance and improves the transparency of auditors’ reporting. These practitioners consider that users are primarily concerned with the audit opinion (unqualified or otherwise) and whether audit opinion provides the highest possible level of assurance, and less about which auditing standards that have been used. Furthermore, it might be self-evident to the users of such financial statement that the entity is less complex in nature and hence the use of ED-ISA for LCE will be understood as appropriate. It should be noted that however, our outreach had limited users’ representation. Hence, the NZAuASB still believes that this could be a perception issue that should be addressed by the IAASB. There is a need for ongoing education to avoid this misperception.

We consider that the use of the proposed standard should be communicated with TCWG. From our outreach, most participants considered it appropriate for auditors to determine and to communicate to TCWG which auditing standards will be used in the engagement letter, and many support the communication of the rationale for using the LCE standard to TCWG for transparency purposes. Some participants thought that the communication of the rationale to use LCE standard would be appropriate in the first year of use and then to communicate on exception basis if there has been changes in circumstances.

5. Accounting Firms

**Mazars**
Already under ISA the templates available are used more or less as specified formats amended to reflect specific circumstances (i.e. ISA 570, 701, ISA 720, modifications and other amendments under ISAs). In our view the intention should be the same under ISA for LCE. That is, the auditor’s opinion should be the same as under ISA but with reference to ISA for LCE. Certain aspects not relevant to an LCE could be prohibited.

In the auditor’s report there is no possibility to refer to a website for the auditor’s responsibility. In our view the reference to a website, as in ISA, should be allowed.

Price Bailey LLP
Overall this section seems to be more complicated than what is needed.

6. Public Sector Organizations
Audit Scotland
The format and content of auditor’s reports change frequently, even if the essential elements remain. Updating the specified format and content of an unmodified auditor’s report is more difficult if it is included in the standard itself.

Government Accountability Office (USA)
We find it appropriate to include guidance on the format and content of an unmodified auditor’s report in the standard.

7. Professional Accountancy and Other Professional Organizations
ASSIREVI
Similarly, we agree with the inclusion of an example of an unmodified auditor’s report.

Association of Practising Accountants
Overall this section seems to be more complicated than may be needed, particularly in relation to the audit report.

Institute for the Accountancy Profession in Sweden (FAR)
(b) Already under ISA the templates available are used more or less as specified formats amended to reflect specific circumstances (i.e. ISA ISA 570, 701, ISA 720, modifications and other amendments under ISAs). In our view the intention should be the same under ISA for LCE. That is, the auditor’s opinion should be the same as under ISA but with reference to ISA for LCE. Certain aspects not relevant to an LCE could be prohibited.

In the auditor’s report there is no possibility to refer to a website for the auditor’s responsibility. In our view the reference to a website, as in ISA, should be allowed.

Institute of Certified Public Accountants of Cyprus
As it relates to the unmodified auditor’s report, we suggest that this is included in the appendices as it is currently the case in ISAs.

Institute of Chartered Accountants in England and Wales
The elements of the audit report are presented as an example report. Firstly, this means there is a full audit report in the middle of the standard, not an appendix, which interrupts the flow. Readers may skip over it, assuming it is not part of the detail. Should it be made clearer that this is not the case?

Institute of Chartered Accountants of Ghana
In order to ensure consistency in approach as well as compliance with the standards, the ED-ISA for LCE part 9 provides a specified content and format for an unmodified auditor’s report that cannot be deviated from. Departures from the wording of the report are not permitted except where required for compliance with law or regulation, or when the opinion or report needs to be modified in response to the specific engagement circumstances. The IAASB has the view that having a specified format for the auditor’s report would be easier for users of the proposed standard and improve consistency in application.

Nordic Federation of Public Accountants
Already under the ISAs the templates available are used more or less as specified formats amended to reflect specific circumstances (i.e. ISA 570, ISA 701, ISA 720, modifications and other amendments under ISAs). In our view the intention should be the same under ISA for LCE.

In terms of referring to ISA for LCE in the audit report, we recommend the IAASB to carefully consider the pros and cons of doing so bearing in mind that audits of LCEs according to the ISAs or to this LCE standard will both result in the same audit opinion. We recognize that reference to ISA for LCE has an undisputed value from a transparency and full disclosure perspective. At the same time there might be unnecessary negative consequences such as discussions about audit fees and the robustness of the standard (an A or B audit); both factors that might affect the use of the standard.
In the auditor’s report there is no possibility to refer to a website for the auditor’s responsibility. In the same way as with audits according to the ISAs, we suggest that a reference to a website should be allowed.

South African Institute of Chartered Accountants (2)
In general, SAICA is of the view that the format and structure of the auditor’s reports should be similar for the LCE standard and the ISAs. This sends a consistent message to the users and will help in addressing misperceptions that different types of assurance are provided.

Specific Questions: Section 4E – Content of ED-ISA for LCE
Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements?
Question 10(c) The approach in the Reporting Supplemental Guide

1) Agree

3. Regulators and Audit Oversight Authorities
Botswana Accountancy Oversight Authority
We agree with the approach taken in ED-ISA for LCE regarding the reporting requirements.

4. National Auditing Standard Setters
Australian Auditing and Assurance Standards Board
The AUASB supports a prescribed form of report being in the requirements of the proposed ED-ISA for LCE Standard and supports further auditor’s report examples being released by the IAASB in a separate supplemental guide.

Austrian Chamber of Tax Advisors and Public Accountants (KSW)
Yes, we agree

Indonesian Institute of Certified Public Accountants (IAPI)
Response: Yes

Institute of Chartered Accountants of India
(c) The approach to providing example auditor’s reports in the Reporting Supplemental Guide.
For Part 9, we agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements, including:

Malaysian Institute of Accountants
The present approach where the “standard” report is included in the requirements, while additional examples and illustrations is presented in the Reporting Supplemental Guide should be the way forward.

Public Accountants and Auditors Board Zimbabwe
Response: Yes we agree

5. Accounting Firms
BDO International
We agree that the Reporting Supplemental Guide is an appropriate mechanism for providing sample auditor’s reports.

Crowe Global
Presenting a Supplemental Guide with examples is consistent with the approach of the ISAs. Examples provide auditors with a reference point when preparing modified reports.

ETY sas
Yes, we agree with the inclusion of example auditor’s reports in the Reporting Supplemental Guide.

Mazars
(c) Providing examples is helpful for the practitioners.

PKF International Limited
We are in agreement with each of these aspects of Part 9.

PriceWaterhouseCoopers
The reporting examples in the supplemental guidance document are a useful resource.
RSM International
We agree with the approach in providing example auditor’s reports. This will assist auditors in complying with the proposed standard and promote consistency across firms.

6. Public Sector Organizations
Government Accountability Office (USA)
We also find the examples of auditor’s reports in the Reporting Supplemental Guide will be useful as the standard is implemented.
Office of the Auditor General of Alberta
We agree with the below items, including the removal of Other Information from the auditor’s report.
Swedish National Audit Office
Yes, we agree with the approach taken on auditor reporting, including the presentation etc.

7. Professional Accountancy and Other Professional Organizations
Chamber of Auditors of the Czech Republic
Yes, we agree with the overall approach taken by the IAASB.
Chamber of Auditors of the Republic of Azerbaijan
10. We basically agree with the approach accepted in Part 9 of the ED-ISA for LCE to formulation of requirements to auditor reporting on all specified aspects.
Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants
We are supportive of including example auditor’s reports as these will be beneficial to practitioners.
Chartered Accountants Ireland
We agree with the approach taken in regard to auditor reporting
Chartered Governance and Accountancy Institute in Zimbabwe
We agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements.
Confederation of Swedish Enterprise
Response: We support the chosen approach.
CPA Ireland
We agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements.
Eurasian Group of Accountants and Auditors
We support the need for the Reporting Supplementary Guide, which will provide examples of modified auditor opinions and examples of auditor reports containing a modified opinion.
European Federation of Accountants and Auditors for SMEs
We agree with the approach taken for auditor reporting requirements.
Federation of Accounting Professions of Thailand
Agreed, the example provided is cleared and concise.
Indonesian Committee on Public Accountant Profession (KPAP)
KPAP appreciates that the IAASB has developed a non-authoritative guide (Supplementary Guidance – Reporting (the Reporting Supplemental Guide) to provide further guidance and examples on modifications to the auditor’s report, including several complete illustrations. This guide is essential because the auditor can use guidance and examples on modifications in several cases and different conditions depending on when the auditor gets the audit evidence.
Institute for the Accountancy Profession in Sweden (FAR)
(c) Providing examples is helpful for the practitioners.

Institute of Certified Public Accountants in Israel
ICPAI believes that the proposal should be adopted and that example auditor’s reports should be added.

Institute of Certified Public Accountants of Kenya
Yes, we agree with the inclusion of example auditor’s reports in the Reporting Supplemental Guide.

Institute of Certified Public Accountants of Rwanda
Response: We agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements, including those stated in a, b and c above.

Institute of Certified Public Accountants of Uganda
We agree with the approach to provide example auditor’s reports in the Reporting Supplemental Guide.

Institute of Chartered Accountants of Ghana
We agree wholeheartedly with the example auditor’s reports in the supplemental guide. In addition to the requirements in Part 9, the IAASB has developed a non-authoritative guide (Supplementary Guidance – Reporting (the Reporting Supplemental Guide) that can be found on the ISA for LCE Exposure Draft webpage) to provide further guidance and examples on modifications to the auditor’s report, including a number of full illustrative reports. This Reporting Supplemental Guide also addresses changes to the auditor’s report for emphasis of matter paragraphs, other matter paragraphs, as well as further guidance as to which reports may be appropriate in various circumstances.

Institute of Chartered Accountants of Jamaica
Response: YES

Institute of Chartered Accountants of Namibia
Yes, we agree with the approach.

Institute of Chartered Accountants of Pakistan
We agree to include illustrations of auditor’s reports in the Supplemental Guide - Auditor Reporting.

Institute of Chartered Accountants of Scotland
We agree with the approach taken in ED-ISA for LCE with regard to the auditor reporting requirements.

Instituto dos Auditores Independentes do Brasil
We agree on that.

Korean Institute of Certified Public Accountants
We agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements and its approach to include a specified format and content of an unmodified auditor’s report as part of a requirement and to provide example auditor’s reports in the Reporting Supplemental Guide.

Nordic Federation of Public Accountants
c) We believe the examples are helpful for practitioners and we support providing them in a Reporting Supplemental Guide.

Ordre National des Experts Comptables et des Comptables Agréés du Burkina Faso (ONECCA-BF)
Yes, we agree with the inclusion of example auditor’s reports in the Reporting Supplemental Guide.

Pan-African Federation of Accountants (PAFA)
c) Yes, we agree with the inclusion of example auditor’s reports in the Reporting Supplemental Guide.

REA Auditores
We agree with the approach taken for auditor reporting requirements.

Society of Certified Accountants and Auditors of Kosovo (SCAAK)
We agree with the approach taken for auditor reporting requirements.

South African Institute of Professional Accountants
We agree with the approach to providing example auditor’s reports in the Reporting Supplemental Guide.
8. Academics

Hunter College Graduate Program

Yes, we agree with the approach taken in ED-ISA for LCE regarding auditor reporting requirements, including the approach to providing example auditor's reports in the Reporting Supplemental Guide. This additional illustration on the Auditor's report provides more guidance with examples on the Independent Auditor's report for all types of Opinion: Qualified opinion, Adverse Opinion, Disclaimer of Opinion and Unmodified Opinion.

9. Individuals and Others

ASK KSA Consulting Inc.

We agree with the approach taken with regard to auditor reporting requirements. We feel it is important from a transparency perspective to reference ED-ISA for LCE.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(c) The approach in the Reporting Supplemental Guide\2) Agree with Comments\2a) Edits to Example Reports

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

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

Further, we suggest the following amendments to:
Reporting example 9.5.1 T:
When an auditor concludes that there is sufficient doubt about the competence, integrity, ethical values or diligence of management, such that written representations are not reliable, this would be pervasive and therefore require a disclaimer of opinion only. A qualified opinion would not be appropriate. This will also then be consistent with the assessment of paragraph 9.5.1.U.
A separate reporting example can be added where only a representation related to a specific line item is not reliable due to doubts about management’s competence, in which case a qualified opinion may be appropriate.

Reporting example 9.5.1.Y:
In this example the auditor has obtained evidence that the financial statements prepared in accordance with a compliance framework is misleading. It would therefore not be appropriate to issue a disclaimer of opinion, as evidence of a disagreement with management is available. As such, only a qualified or adverse opinion would be appropriate.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(c) The approach in the Reporting Supplemental Guide\2) Agree with Comments\2b) Include as Appendix

5. Accounting Firms

KPMG IFRG Limited

We also welcome the development of the non-authoritative Supplementary Guidance-Reporting to provide further guidance and examples on modifications to the auditor’s report, including illustrative reports.

However, similar to the supplementary guidance regarding the Authority of the standard, we consider that there may be scope for confusion as to the authority of this material, as the IAASB does not usually refer to non-authoritative guidance in authoritative standards, so some may interpret this to mean that it is authoritative. We believe certain elements of application material have been placed in Supplemental Guides with the primary aim of shortening the standard. However, we consider this overriding objective of shortening the standard per se to be unhelpful to auditors and potentially other stakeholders. We do not consider that rearrangement of elements of important guidance into supplementary materials makes the LCE ISA any easier to understand/ navigate, and it also calls into question the authority of such guidance.

We believe the IAASB’s objectives may be better achieved by placing such material in an Appendix, within the LCE ISA itself, or in a separate standard on reporting for LCEs, noting that this material is authoritative in the full-scope ISAs. We highlight that the auditor’s report is the external deliverable resulting from the performance of an audit, and, as such, material addressing reporting should be afforded the appropriate authority status and given sufficient prominence, and should not be de-emphasised in any way.

7. Professional Accountancy and Other Professional Organizations
CPA Australia
Supplemental Guide: We are supportive of the illustrative examples of modified auditor’s reports and additional paragraphs. However we question whether it would be easier to access these examples in an appendix to the LCE Standard rather than in a separate document. As most users will access the standard electronically, the total number of pages in the document are not as relevant as when standards are accessed in paper form. The effectiveness of electronic navigation is more important. Access is largely overcome through the IAASB’s e-handbook, including links from the requirements to illustrative examples.

South African Institute of Chartered Accountants (2)
Providing the supplemental guide helps reduce the LCE standard but there is a risk that auditors may not make adequate use of it given that the guide is non-authoritative. A more suitable location could be the Appendix to the LCE standard.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(c) The approach in the Reporting Supplemental Guide\2) Agree with Comments\2c) Additional Reports

7. Professional Accountancy and Other Professional Organizations

Chamber of Financial Auditors of Romania
(c) Same as in ISAs, the examples are welcomed. We suggest to present an example of the auditor’s report in case there are limitations in scope or the financial statements have not been previously audited.

Institute of Certified Public Accountants of Cyprus
We encourage the IAASB to also provide illustrations of modified auditor’s reports (qualified or adverse opinion).

Malaysian Institute of Certified Public Accountants
In addition to a “standard” unmodified opinion report, examples should also be given for a qualified opinion, a disclaimer and material uncertainty over going concern.

Guiding principles on how this standard can still be applied under such circumstances will be useful.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(c) The approach in the Reporting Supplemental Guide\2) Agree with Comments\2z) Other Comments

4. National Auditing Standard Setters
Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l’Ordre des Experts-Comptables
Yes, we agree with the approach taken in the ED to providing example auditor’s reports in the Reporting Supplemental guide, but only if hyperlinks are incorporated into the handbook and allow easy access to the other examples of auditor’s reports.

Institut der Wirtschaftspruefer in Deutschland e.V. (IDW)
In relation to c), we agree with the approach of providing example auditor’s reports in the non-authoritative Reporting Supplemental Guide. Normally, auditors of financial statements of LCEs will draw on example reports to draft their auditors’ reports. However, this is not a substitute for ensuring the needed requirements from ISAs 700, 705 and 706 are within the standard so that when special circumstance arise, auditors are in a position to consult the requirements to ensure that there are no differences between reports for audits performed using the ISAs and audits performed using the IAASB LCE standard.

We believe that with the exception of the EEM to paragraphs 9.5. and 9.5.1., all of the EEM is not needed and can therefore be deleted.

5. Accounting Firms
Azets Audit Services
There is a need for further guidance on reporting to that included within the ED-ISA for LCE, and the Reporting Supplemental Guide is well presented in that context. As with the Supplemental Guidance for the Authority, this can lead to duplication, but additional practical guidance is welcome.

Grant Thornton International Limited
We are supportive of, and see the need for, the provision of example auditor’s reports, however, we have no preference as to whether this is located in the Reporting Supplemental Guidance or in an appendix to ED-ISA for LCE.

6. Public Sector Organizations
Auditor-General of New Zealand
Subject to our comments in response to Question 10(b), we agree with the approach taken in the proposed standard with regard to auditor reporting requirements, including the approach to providing example audit reports in the Reporting Supplemental Guide.

7. Professional Accountancy and Other Professional Organizations

Instituto Mexicano de Contadores Públicos (IMCP)
Agreed; however, there is no reference in the text to these additional guidelines for the preparation of the report, it is considered convenient to evaluate making reference to them in the text of the ISA for LCE.

Union of Chambers of Certified Public Accountants of Turkey (TURMOB)
We agree with the overall approach including the presentation, content and completeness of part 9. It is preferable that a specified format and content of an unmodified auditor’s report is presented in the Reporting Supplemental Guide.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(c) The approach in the Reporting Supplemental Guide\3) Disagree or Unclear\3b) Include in Standard or Appendix

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)
We would like to understand the reasoning behind why the format and content for an unmodified auditor’s report is included in the standard, while the format and content for an auditor’s report containing a qualified opinion, emphasis of matter paragraph and/or other matter paragraph is included within illustrative auditor’s reports in the non-authoritative supplemental guidance.

4. National Auditing Standard Setters

Hong Kong Institute of Certified Public Accountants
Illustrative auditor’s report

Part 9 provides an illustrative auditor’s report on an unmodified opinion, but has not illustrated other types of opinions such as a qualified opinion, adverse opinion and unmodified opinion with material uncertainty relating to going concern which are included in the Reporting Supplemental Guide.

For completeness and ease of use, we recommend that the IAASB to re-locate various illustrative opinions from the Reporting Supplemental Guide to the proposed standard.

5. Accounting Firms

Ernst & Young Global Limited
In our opinion, the approach to providing further guidance and examples on modifications to auditor’s reports in the Reporting Supplemental Guide appears inconsistent with the ED-ISA for LCE being a separate standalone standard because reference to the guidance in this supplement is necessary when modifications to auditor’s reports are needed. Additionally, because the guidance in the Reporting Supplemental Guide is non-authoritative guidance, we question if users of the ED-ISA for LCE will refer to this supplemental guidance.

Famme & Co. Professional Corporation
(c) We believe that appropriate reporting is perhaps the most critical consideration in an audit, and as such, warrants inclusion in the standard itself. An auditor should not have to consult a secondary source when developing the auditor’s report.

7. Professional Accountancy and Other Professional Organizations

Accountancy Europe
However, the illustrations of auditor’s reports should be included in the standard itself as a separate appendix similar to the approach taken in the ISA 700 series. Currently the specified format and content for the auditor’s report with an unmodified opinion is presented in Part 9 of the ED and other illustrations are included in the Reporting Supplemental Guide.

International Federation of Accountants’ Small and Medium Practices Advisory Groups
We believe the “standard” report should be included in the requirements. Moving further illustrative examples of auditors’ reports outside the standard is unhelpful as these need to be readily available even if they are not often used.
Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 10 - For Part 9, Do you agree with the approach taken with regard to auditor reporting requirements\Question 10(c) The approach in the Reporting Supplemental Guide\Question 11 - Reporting Supplemental Guide\Question 11(a) Is the support material helpful\1) Agree

7. Professional Accountancy and Other Professional Organizations

Accountancy Europe

Further, we suggest that the Guide include the content of paragraph 52 of the ISA 700 (Revised) as well as paragraphs 15 and 27 of the ISA 705.

ASSIREVI

The Reporting Supplemental Guide does not currently provide any guidance about how to decide on the type of opinion. Moreover, it is unclear why this Guide is a separate document and is not an “authoritative” guide given the importance of the issues covered (modifications to the auditor’s report), especially given its usefulness when modified reports are prepared.

Wirtschaftsprüferkammer (WPK)

The draft contains only an example of an unmodified auditors' report. A modified auditors' report only results from the supplements guide. This is not binding and therefore has a different character.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 11 - Reporting Supplemental Guide\Question 11(a) Is the support material helpful\1) Agree

3. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority

The support material is helpful.

Finance Professions Supervisory Centre Indonesia

To answer the question number 11 and 12, the supporting material that has been presented in the Reporting Supplemental Guide (for Authority and Auditor Reporting) is quite useful because it includes limitations for using the (draft) ISA LCE, guidance and examples on modifications to the auditor’s report, including a number of full illustrative reports.

Independent Regulatory Board for Auditors (IRBA)

We support the development of the Reporting Supplemental Guide. The support material is necessary and helpful.

4. National Auditing Standard Setters

Canadian Auditing and Assurance Standards Board

Yes. We believe the support material will be helpful.

Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l’Ordre des Experts-Comptables

Yes, we consider that the support material is helpful.

Indonesian Institute of Certified Public Accountants (IAPI)

Response: Yes

Institute of Chartered Accountants of India

In our view, the support material is helpful.

Malaysian Institute of Accountants

Response: Yes the support material is helpful.

5. Accounting Firms

Azets Audit Services

(a) Yes, per 10(c).

Crowe Global

The support material is helpful and serves a similar role of the content of the ISA 700 series of standards.
Duncan & Toplis Limited
Response: Yes, we believe that this provides additional guidance as needed.

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

Grant Thornton International Limited
We find the Reporting Supplemental Guide helpful.

KPMG IFRG Limited
We believe this material will be helpful.

PKF International Limited
The Reporting Supplemental Guide is helpful.

Price Bailey LLP
Yes the guide is helpful but could still be clarified.

RSM International
Yes, the support material is very helpful and will assist practitioners in applying the standard.

6. Public Sector Organizations
Auditor-General of New Zealand
Subject to our comments in response to Question 10(b), we consider that the support material in the Reporting Supplemental Guide will be helpful.

Government Accountability Office (USA)
We believe that the Reporting Supplemental Guide is helpful supporting material.

Swedish National Audit Office
Yes, it is helpful

7. Professional Accountancy and Other Professional Organizations
Belgian Institute of Registered Auditors (IBR-IRE)
Examples are always helpful, especially EOM relating to business continuity.

Chamber of Financial Auditors of Romania
The support material for Auditor Reporting will be very helpful for practitioners all over the world.

Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants
Yes.

Chartered Accountants Ireland
We consider that the Reporting Supplemental Guide is very helpful and covers all matters that should be included.

Chartered Governance and Accountancy Institute in Zimbabwe
We believe the support material is helpful.

Confederation of Swedish Enterprise
Yes

CPA Ireland
We consider the support material to be helpful.

European Federation of Accountants and Auditors for SMEs
We find the Reporting Supplemental Guide helpful.
Indeed, guidance of this nature, outside the body of the standard is especially helpful and in time support material might extend to most if not all aspects of the standard in the way that the IFAC ISA Guide does for the ISAs.

Federation of Accounting Professions of Thailand
The supplemental guide are helpful to help the user get more understanding of the standard.

**Indonesian Committee on Public Accountant Profession (KPAP)**
KPAP appreciates the IAASB for developing a non-authoritative guide (Supplementary Guidance – Reporting) to provide further guidance and examples on modifications to the reports auditor’s report, including complete illustrations.

**Institute for the Accountancy Profession in Sweden (FAR)**
It is helpful, especially the indication of words that are required and may not be changed.

**Institute of Certified Public Accountants in Israel**
ICPAI believes that the structure of the guide proposed by IAASB is helpful for users.

**Institute of Certified Public Accountants of Cyprus**
It is useful – especially illustrations as the one provided in page 2.

**Institute of Certified Public Accountants of Kenya**

We support the development of the Reporting Supplemental Guide which we believe to be necessary and helpful.

**Institute of Certified Public Accountants of Rwanda**
: The Reporting Supplemental Guide is deemed helpful.

**Institute of Certified Public Accountants of Uganda**
We believe that the reporting support material will be helpful as it will enhance compliance with the requirements of the proposed ISA.

**Institute of Chartered Accountants of Ghana**
It is quite helpful. It goes through the unmodified auditors report element by element explaining what each is, then it goes through modifications to the auditor’s report. It discusses the Basis for the opinion and also the emphasis of matter paragraph and other matters paragraph. It discusses "other information" and also material uncertainty related to going concern. Finally, it has appendices showing illustrative auditors reports.

**Institute of Chartered Accountants of Jamaica**
Response: YES

**Institute of Chartered Accountants of Namibia**
Yes, we believe it is helpful.

**Institute of Chartered Accountants of Pakistan**
Yes, we believe that the Supplemental Guide on Auditor Reporting is helpful.

**Institute of Chartered Accountants of Scotland**
We believe that the support material is helpful.

**Instituto dos Auditores Independentes do Brasil**
Yes.

**International Federation of Accountants’ Small and Medium Practices Advisory Groups**
We do believe the support material is helpful and will assist in adoption of the standard.

**Korean Institute of Certified Public Accountants**
The Reporting Supplemental Guide is helpful.

**Malaysian Institute of Certified Public Accountants**
We are of the view the support material is helpful.

**Nordic Federation of Public Accountants**
We agree that the Reporting Supplemental Guide is helpful, especially we appreciate the structure where mandatory sections that cannot be amended are clearly separated from other sections.

**Ordre National des Experts Comptables et des Comptables Agréés du Burkina Faso (ONECCA-BF)**
We support the development of the Reporting Supplemental Guide which we find necessary and helpful.

**Pan-African Federation of Accountants (PAFA)**
We support the development of the Reporting Supplemental Guide which we believe to be necessary and helpful.

Polish Chamber of Statutory Auditors Warsaw (Regional Branch)
Response: Yes.

REA Auditores
We find the Reporting Supplemental Guide helpful. Indeed, guidance of this nature, outside the body of the standard is especially helpful and in time support material might extend to most if not all aspects of the standard in the way that the IFAC ISA Guide does for the ISAs.

Society of Certified Accountants and Auditors of Kosovo (SCAAK)
We find the Reporting Supplemental Guide helpful. Indeed, guidance of this nature, outside the body of the standard is especially helpful and in time support material might extend to most if not all aspects of the standard in the way that the IFAC ISA Guide does for the ISAs.

South African Institute of Professional Accountants
We support the development of the Reporting Supplemental Guide which we believe to be necessary and helpful.

Union of Chambers of Certified Public Accountants of Turkey (TURMOB)
The Reporting Supplemental Guide is helpful.

Wirtschaftsprüferkammer (WPK)
Yes, the support material is helpful.

8. Academics

Argentine Institute of Auditing Professors
We conclude that the support material is useful because it is very didactic.

Hunter College Graduate Program
The support material provided in the supplemental guide on reporting is helpful to the users of ED-ISA for LCE as it provides a clear guidance on specific elements of the auditor’s report and relevant ethical requirements, gives examples of modifications to the auditor’s opinion, and instances when an emphasis of matter and other matter paragraphs maybe added by the auditor, and illustrates possible auditor’s opinions.

9. Individuals and Others

Cristian Munarriz
Response: Yes

Rodoula Roussou
Yes it is helpful.

Vera Massarygina
Response: Yes.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 11 - Reporting Supplemental Guide\Question 11(a) Is the support material helpful\2) Agree with Comments

4. National Auditing Standard Setters

Austrian Chamber of Tax Advisors and Public Accountants (KSW)
Yes, however we have noted that the inclusion of those charged with governance is inconsistent in some examples (e.g., Appendix starting on page 12 of the guidance does not include TCWGs in the header and in the text whilst under the Auditor’s responsibilities the passage on TCGW is included, the same was noted in the opinion included in the standard itself under paragraph 9.4.1.).

Institut der Wirtschaftspruefer in Deutschland e.V. (IDW)
We believe that the support material is helpful, but it need not and should not repeat the requirements that are – or ought to be – in the LCE standard.

5. Accounting Firms

BDO International
Yes, we believe the materials in the Reporting Supplemental Guide are helpful; they provide good background on various reporting matters. However, the body of the Reporting Supplemental Guide may be better positioned as an appendix to the proposed LCE standard; it would then be easily accessible by auditors, and it would elevate its nature to being authoritative. We think that the sample reports contained in the Appendix to the Reporting Supplemental Guide should remain in the Supplemental Guide as non-authoritative guidance.

**Ernst & Young Global Limited**

The support material in the Reporting Supplemental Guide is helpful. However, as indicated above we have concerns about this material residing outside of the ED-ISA for LCE.

**Famme & Co. Professional Corporation**

We find the Reporting Supplementary guide to be helpful. However, we do note that the proposed ISA appears to require 2 supplemental guides (Proposed Supplemental Guidance for the Authority of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities and Draft Supplemental Guidance for the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities – Auditor Reporting). A standard that requires EEM within it and some 40 pages of Supplemental Guidance perhaps has not been drafted clearly enough in the first place.

**Mazars**

Yes, but should be part of the standard to make it “standalone” and should be embedded in an electronic manner to be user-friendly.

**PriceWaterhouseCoopers**

The supplementary material is useful. Elements of it are, however, more akin to EEM, rather than non-authoritative supplementary content.

6. Public Sector Organizations

**Audit Scotland**

The illustrative auditor’s reports are helpful.

The content in section "II. The Auditor’s Report" would more usefully be included in the ISA for LCEs in place of the specified format and content of an unmodified auditor’s report as currently drafted. This would avoid some of the difficulties inherent in including the specified format and content in the standard itself.

7. Professional Accountancy and Other Professional Organizations

**Accountancy Europe**

Yes, we believe that the Supplemental Guide is helpful even though it can benefit from eliminating the repetitions of the ISA for LCE requirements.

**CPA Australia**

The material in the Supplementary guidance is helpful but as stated in 10 above would be better placed as an appendix to the LCE standard.

**Instituto Mexicano de Contadores Públicos (IMCP)**

The Supplementary Guidance on the auditor’s report is considered sufficient and useful; however, we consider that it should include an example of the other matters paragraph in the independent auditor's report in order to disclose the transition from ISAs to ISA for LCE.

**Self-Regulatory Organization of Auditors Association (SRO AAS)**

The Reporting Supplemental Guide is helpful, but we foresee the problem with its status. It is not the part of the standard, and therefore auditors would be not familiar with it. We advise to make this Guide the part of the standard or somehow emphasize its status as a part of the standard.

**South African Institute of Chartered Accountants (2)**

The material is helpful. We are however, not convinced that a non-authoritative supplemental guide is the suitable place to locate the guidance. Including the examples of the auditor’s reports in the Appendix to the LCE standard may be more appropriate.

**Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 11 - Reporting Supplemental Guide\Question 11(a) Is the support material helpful\3) Disagree or Unclear**

5. Accounting Firms
Baker Tilly International

Baker Tilly comments: The need for a Reporting Supplemental Guide illustrates that a standalone ISA for LCE leads to duplication in some areas. It is unclear why the Guide is non-authoritative. The audited entity may be less complex but users still need appropriate reporting of the audit outcome and still need certainty over how the audit is reported including in non-standard circumstances.

Specific Questions\Section 4E – Content of ED-ISA for LCE\Question 11 - Reporting Supplemental Guide\Question 11(b) Are there any other matters that should be included\1) Yes

3. Regulators and Audit Oversight Authorities

Finance Professions Supervisory Centre Indonesia

Furthermore, supplemental should not only about reporting, but also for other provisions that are deemed important, for example relating to materiality, fraud audit, understanding, and assessment of internal control, and others. So, that the ISA for LCE becomes complete and obvious.

Independent Regulatory Board for Auditors (IRBA)

Transitioning:
Transitioning from the proposed standard to the ISAs during the audit, due to the complexity of matters identified/involved. Reporting requirements when the proposed standard is being applied in one year and the ISAs are applied in the next year and vice versa.
When the auditor transitions from the ISAs to the proposed standard, the guidance caters for the inclusion of an “other matters” paragraph in the auditor’s report, to highlight this to the users of the financial statements. We propose rather that highlighting it separately in the auditor’s report would be useful to the users of the financial statements.
Special purpose reporting, given that many LCEs use entity specific reporting frameworks that would fall within the scope of ISA 800 (Revised) (refer to our response to question 16).
Material uncertainty related to going concern.
An illustration of a qualified opinion arising from a limitation in scope and a modified Other Information section, for completeness.

4. National Auditing Standard Setters

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

We believe that all of the relevant reports in the ISAs should also be included in the support material.

5. Accounting Firms

Azets Audit Services

At a jurisdiction level, information and guidance on application of legislative requirements across sectors helps auditors to apply requirements with derivation other than auditing standards in a consistent way. The Reporting Supplemental Guide would benefit from referencing the link between legislation and ED-ISA for LCE in the context of reporting.

BDO International

If the scope of the proposed LCE standard is revised to include group audits, it would be helpful to include examples of a group audit report in the Reporting Supplemental Guide.

Famme & Co. Professional Corporation

However, we do note that the proposed ISA appears to require 2 supplemental guides (Proposed Supplemental Guidance for the Authority of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities and Draft Supplemental Guidance for the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities – Auditor Reporting). A standard that requires EEM within it and some 40 pages of Supplemental Guidance perhaps has not been drafted clearly enough in the first place.

KPMG IFRG Limited

Please refer to our responses to Questions 13, regarding transitioning from the LCE ISA to the full-scope ISAs, and reporting in accordance with the LCE ISA in one period, and with the full-scope ISAs in the following period, as well as group audit scenarios in which the group auditor is required to use the full-scope ISAs, whereas component auditors may use the LCE ISA for the statutory audit of a component, as we believe clarification regarding reporting in these scenarios is necessary.

PriceWaterhouseCoopers

Further to our comments in response to question 7(d), consideration should be given as to whether certain elements of this content need to be reflected within the standard itself. We have provided comments, as appropriate, in appendix 3.
We recommend also including an illustration of a qualified opinion arising from a limitation in scope and a modified Other Information section, for completeness.

7. Professional Accountancy and Other Professional Organizations

Eurasian Group of Accountants and Auditors

We believe that additional supporting materials on the preparation of the auditor’s report would be helpful. Consideration should be given to issuing a report in circumstances where an entity is audited in one period in accordance with ISA for LCE, and in the next period the same entity is audited in accordance with the full-scope ISAs.

Institute of Chartered Accountants of Namibia

The following would be helpful as these questions often arise in our jurisdiction:

- Modifications of the audit report due to prior period errors – A common question is how long an audit opinion needs to be modified for misstatements in prior periods that now only impact retained income. Guidance on this would be helpful.
- Impact on the audit report in cases where current management was not involved in the financial year being audited (change in management) and does not want to take responsibility for the financial statements.

Instituto dos Auditores Independentes do Brasil

We recommend including an example of a qualified opinion arising from a limitation in scope and a modified Other Information section, to address completeness.

Instituto Mexicano de Contadores Públicos (IMCP)

however, we consider that it should include an example of the other matters paragraph in the independent auditor’s report in order to disclose the transition from ISAs to ISA for LCE.

International Federation of Accountants’ Small and Medium Practices Advisory Groups

We believe that paragraphs 15 and 27 of ISA 705 (Revised), Modifications to the Opinion in the Independent Auditor’s Report related to the issuance of an adverse or disclaimer of opinion should also be reflected in the standard.

In addition, we believe the IAASB should consider including paragraphs 50 and 51 of ISA 700 (Revised) related to how to report when the auditor applies both ISAs and auditing standards of a particular jurisdiction. Further, we believe it would be helpful to include paragraph 15 prohibiting piecemeal opinions and paragraph 27 of ISA 705 preventing the possibility of “hiding” significant issues the auditor has identified behind a disclaimer or adverse opinion within section 9. These are important conditional requirements that auditors applying the LCE auditing standard should be required to adhere to when the circumstances arise.

Korean Institute of Certified Public Accountants

Example auditor’s reports would be helpful for initial engagement in case the auditing standard used for the current period is different from the one used for the previous period with regard to comparative information.