Supplement 1-07 to Agenda Item 4

Audits of Less Complex Entities – ED-ISA for LCE – Q2 (Conforming Amendments to the IAASB Preface)

Specific Questions: Section 4A – Overarching Positioning of ED-ISA for LCE

Question 2 - Do you agree with the proposed conforming amendments to the IAASB Preface?

1) Agree

3. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority
We agree with the proposed confirming amendments to the IAASB preface.

Independent Regulatory Board for Auditors (IRBA)
We agree with the proposed conforming amendments to the IAASB Preface.

4. National Auditing Standard Setters

Australian Auditing and Assurance Standards Board
The AUASB supports the proposed confirming amendments to the IAASB Preface to facilitate this new category of standard.

Austrian Chamber of Tax Advisors and Public Accountants (KSW)
Response: Agreed

Federación Argentina de Consejos Profesionales de Cs. Económicas
Response: We agree to modify the preface if the proposed rule is approved.

Indonesian Institute of Certified Public Accountants (IAPI)
Response: Agree with the proposed conforming amendments to the IAASB Preface

Institute of Chartered Accountants of India
We agree with the proposed confirming amendments to the IAASB Preface.

Japanese Institute of Certified Public Accountants
Response:
We agree.

Malaysian Institute of Accountants
Response: We agree with the proposed conforming amendments.

New Zealand Auditing and Assurance Standards Board
The NZAuASB agrees with the proposed conforming amendments to the IAASB Preface.

Public Accountants and Auditors Board Zimbabwe
Response: We agree

5. Accounting Firms

Azets Audit Services
Response
Yes.

BDO International
Response: We agree with the proposed conforming amendments to the IAASB Preface.

Crowe Global
We agree with the conforming amendments to the IAASB Preface.

Ernst & Young Global Limited
Yes, we agree with the proposed conforming amendments to the IAASB Preface.

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

Famme & Co. Professional Corporation

We agree with the proposed conforming amendments to the IAASSB preface.

**Grant Thornton International Limited**
We agree with the proposed conforming amendments to the IAASB Preface based on the understanding that ED-ISA for LCE will ultimately standalone.

**KPMG IFRG Limited**
We consider the proposed conforming amendments to the IAASB Preface to be appropriate.

**MHA Monahans**
Yes we agree.

**Price Bailey LLP**
Response: These amendments seem reasonable based on the current drafting of this standard.

**PriceWaterhouseCoopers**
We agree with the proposed conforming changes to the Preface.

6. Public Sector Organizations

**Audit Scotland**
The conforming amendments are appropriate.

**Government Accountability Office (USA)**
Including the conforming amendments to the International Auditing and Assurance Standards Board (IAASB) Preface in the IAASB Handbook is appropriate for creating a new category of audit in the IAASB standards.

**Swedish National Audit Office**
Response: Yes.

7. Professional Accountancy and Other Professional Organizations

**Accountancy Europe**
Yes, we agree with the proposed conforming amendments to the Preface.

**ASSIREVI**
We agree.

**Association of Practising Accountants**
Response: These amendments seem reasonable based on the current drafting of this standard.

**Botswana Institute of Chartered Accountants**
Response: We agree with conforming amendments to IAASB Preface. These will ensure consistency on application of the standard.

**Chamber of Auditors of the Czech Republic**
Yes, we agree with the proposed conforming amendments to the Preface.

**Chamber of Auditors of the Republic of Azerbaijan**
2. We agree with the conforming amendments to the IAASB Preface.

**Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants**
Yes, we agree with the proposed conforming amendments to the IAASB Preface.

**Chartered Governance and Accountancy Institute in Zimbabwe**
Response: We in agreement with the proposed conforming amendments to the IAASB Preface

**Confederation of Swedish Enterprise**
Response: We agree.

**CPA Australia**
Response: We support the conforming amendments to the IAASB Preface in the event that the Standard for LCEs is issued.

**CPA Ireland**
CPA Ireland agrees with the conforming amendments to the IAASB Preface and has no further changes to recommend
Eurasian Group of Accountants and Auditors
Yes, we agree with the proposed conforming amendments to the IAASB Preface.

European Federation of Accountants and Auditors for SMEs
We agree with the proposed conforming amendments to the IAASB Preface.

Indonesian Committee on Public Accountant Profession (KPAP)
Response: KPAP agrees with the proposed conforming amendments to the IAASB Preface.

Institute of Certified Public Accountants in Israel
We agree with the amendment to the preface.

Institute of Certified Public Accountants of Cyprus
Response: We agree with the proposed conforming amendments.

Institute of Certified Public Accountants of Kenya
Response: We are in agreement with the proposed conforming amendments to the IAASB Preface.

Institute of Certified Public Accountants of Rwanda
Response: We agree with the proposed conforming amendments to the IAASB Preface.

Institute of Certified Public Accountants of Uganda
We agree with the proposed conforming amendments to the IAASB Preface.

Institute of Chartered Accountants in England and Wales
We are content with the proposed amendments.

Institute of Chartered Accountants of Ghana
Response: We do agree with the proposed conforming amendments to the IAASB Preface (on page 166 of the standard). The proposed conforming amendments fold the ISA for LCE’s into the preface of the IAASB’s preface.

Institute of Chartered Accountants of Jamaica
Response: YES

Institute of Chartered Accountants of Namibia
Yes.

Institute of Chartered Accountants of Pakistan
We understand that the IAASB Preface facilitates in understanding of the scope and authority of the pronouncements that the IAASB issues, as described in the IAASB’s Terms of Reference. We agree with the proposed changes to the IAASB Preface to reflect the authority of the new standard for LCE.

Institute of Chartered Accountants of Scotland
Response to Question 2
We agree with the proposed amendments to the IAASB preface on the basis that the proposed ISA for LCEs is issued as a separate standard.

Instituto dos Auditores Independentes do Brasil
We agree with the proposed conforming amendments to the Preface.

Instituto Mexicano de Contadores Públicos (IMCP)
Yes, we agree with the proposed conforming amendments to the IAASB Preface.

International Federation of Accountants’ Small and Medium Practices Advisory Groups
We agree with the proposed changes to the IAASB Preface to reflect the authority of the new standard.

Korean Institute of Certified Public Accountants
We agree with the proposed conforming amendments to the IAASB Preface.

Malaysian Institute of Certified Public Accountants
If it is issued as a standard, we agree with the conforming amendments.

Nordic Federation of Public Accountants
We agree with the proposed conforming amendments to the IAASB Preface.
Ordre National des Experts Comptables et des Comptables Agréés du Burkina Faso (ONECCA-BF)
Response: We agree with the proposed conforming amendments to the IAASB Preface.

Pan-African Federation of Accountants (PAFA)
We agree with the proposed conforming amendments to the IAASB Preface

REA Auditores
Response: We agree with the proposed conforming amendments to the IAASB Preface.

Society of Certified Accountants and Auditors of Kosovo (SCAAK)
Response: We agree with the proposed conforming amendments to the IAASB Preface.

South African Institute of Professional Accountants
Response: We agree with the introduction of a new category of international standard for the proposed standard, conforming amendments to the IAASB Preface will therefore be required.

Union of Chambers of Certified Public Accountants of Turkey (TURMOB)
We agree with the proposed conforming amendments.

Wirtschaftsprüferkammer (WPK)
Yes, we agree.

8. Academics
Argentine institute of Auditing Professors
Response: We agree with all the modifications included in the IAASB Preface.

9. Individuals and Others
Cristian Munarriz
Response: Yes
Vera Massarygina
Response: Yes.

Specific Questions:Section 4A – Overarching Positioning of ED-ISA for LCE:Question 2 - Do you agree with the proposed conforming amendments to the IAASB Preface:2) Agree with

Comments

3. Regulators and Audit Oversight Authorities
Finance Professions Supervisory Centre Indonesia
We agree on the adjustment of the IAASB preface, within the scope of facilitating this new category of international standards, as in the section:
Added ISA for LCE into “The Authority Attaching to International Standards Issued by the IAASB” section, and Adjustment of explanations and details about ISA and ISA for LCE, to avoid scope misperception between the two standards.

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 proposed conforming amendments to the IAASB Preface. However, we have the following comments:
For a better link between paragraph 5 and 6 of page 166, we consider that it would be appropriate to add at the end of paragraph 5 “unless ISA for LCE is applied”. Paragraph 5 would become “International Standards on Auditing (ISAs) are to be applied in the audit of historical financial information, unless ISA for LCE is applied”;
Paragraph 13 of the conforming amendments to the preface (page 167) refers to the authority of the ED-ISA for LCE being set in “the preface and part A of the standard”. However, these references do not include paragraphs 1.4.3 (Part 1 – Fundamental Concepts, General Principles and Overarching Requirements) and 2.5.4 (part 2 – Audit Evidence and Documentation) of the draft ISA. These two paragraphs clearly explain that, in exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement of the proposed standard.
This fundamental principle (possibility to depart from a relevant requirement of the standard in certain circumstances) is however clearly mentioned in the ISA (paragraph 12) and the other international standard (paragraph 17). We consider that this principle should also be included in paragraph 13 of the conforming amendments to the preface dealing with the ISA for LCE. Therefore, we consider that paragraph 13 should be amended either to delete the reference to the preface and part A of the standard and refer only to the whole standard or to include the content of paragraph 17. However, we also caution the IAASB that this possibility given to the auditor, in exceptional circumstances, to depart from relevant requirements of the ISA for LCE should not open the door for the auditor to cherry-pick and use certain relevant ISA requirements to “top-up” ED-ISA for LCE to address specific circumstances of the audit. We recommend that this possibility of departure from requirements of the standard be clearly limited in this sense.

5. Accounting Firms

Mazars
Yes. In addition, we ask what the status of the current § “considerations for smaller entities” will be.

RSM International
Response: We agree with the proposed conforming amendments to the IAASB Preface. We propose amending paragraph 5 of the Preface to read “International Standards on Auditing (ISAs) are to be applied in the audit of historical financial information, except where the ISA for LCE is used”. This would make clear that, when using the ISA for LCE, the full ISAs are scoped out.

7. Professional Accountancy and Other Professional Organizations

Chamber of Financial Auditors of Romania
We agree with the proposed conforming amendments to the IAASB Preface to introduce the new category of international standard. We recommend that it should also be stated clearly that ED-ISA is applicable only for audits of financial statements and definitely not for other assurance services (for eg. ISA 800), even though the client might be a less complex entity. An explanatory note should be included in order to not create confusion both for the auditor and for users of financial statements.

Specific Questions: Section 4A – Overarching Positioning of ED-ISA for LCE

Question 2 - Do you agree with the proposed conforming amendments to the IAASB Preface

3) Disagree with Comments

5. Accounting Firms

Baker Tilly International
Baker Tilly comments: If you apply a building block approach or have a separate standard within the body of ISAs then there is no need for conforming amendments to the IAASB Preface.

Specific Questions: Section 4A – Overarching Positioning of ED-ISA for LCE

Question 2 - Do you agree with the proposed conforming amendments to the IAASB Preface

4) Mixed Views or Unclear Direction

5. Accounting Firms

SRA
Conforming amendments to the IAASB Preface should be adapted to the choices made by IAASB regarding the status of the standard.

6. Public Sector Organizations

Auditor-General of New Zealand
We question the proposal to position the standard separately from the ISA. We also question why an auditor, in appropriately applying the proposed standard to a less complex entity, cannot assert compliance with the ISA. The International Auditing and Assurance Standards Board (IAASB) developed the proposed standard by carefully reviewing the full suite of the ISA to identify those requirements that apply to the audit of less complex entities. This is the same process that auditors have carried out when identifying the relevant requirements of the ISA that apply to the audits of small and less complex entities. The only difference is that, as a result of the IAASB work, the proposed standard requires auditors to assert compliance with the International Standard on Auditing on Audits of Financial Statements of Less Complex Entities (whereas, if the auditor has carried out the same work under the ISA, they are permitted to assert compliance with the ISA).
It is difficult to understand why an auditor, in appropriately applying the proposed standard, cannot assert compliance with the ISA.

We raise this issue because the governors of less complex entities that fall within the scope of the proposed standard might have concerns about how stakeholders would react to an audit that complies with the International Standard on Auditing on Audits of Financial Statements of Less Complex Entities instead of the ISA. Governors of entities might not want the audit to be carried out under the proposed standard because of a perception that this is a lesser form of audit. This situation could create an unnecessary roadblock to using the proposed standard. Furthermore, should auditors carry out their own independent assessment of the requirements of the full suite of the ISA that apply to a less complex entity, or category of less complex entity, they might conclude that the proposed standard aligns to their independent assessment, apply the proposed standard, and assert that the audit complies with the ISA.

We recommend that, under the proposed standard, an auditor of a less complex entity should be permitted to publicly assert that the audit has been carried out in compliance with the ISA.

Office of the Auditor General of Alberta

We have no significant comments to the proposed IAASB Preface. We note that the IAASB may need to evaluate if the preface fully implements ISA of LCE as a standalone standard, and also recognizes that ISA for More Complex Entities is also a standalone set of standards.

7. Professional Accountancy and Other Professional Organizations

Saudi organization for Chartered and Professional Accountants

As stated above, point 5 in the preface indicates to the ISAs as mainly regulating the audit of historical financial information while point 6 where the amendment was made highlights the new standard (ED-ISA for LCEs) as guiding the audit of the financial statements with no specification made to the orientation of the financial information being audited. It is commonly understood ISA is regulating the audit of historical financial information. However, we think that certain specifications can improve clarity and limit any misinterpretations.

Self-Regulatory Organization of Auditors Association (SRO AAS)

There are no comments to the proposed conforming amendments to the IAASB Preface. However, we consider worth reflecting this standard in the Structure of IAASB Pronouncements.