

# Supplement 1-02 to Agenda Item 2

## Audits of Less Complex Entities – ED-ISA for LCE – Q14 (Maintenance)

**Specific Questions\Section 4F – Other Matters\Question 14 - Do you agree with the proposed approach of future updates and maintenance of the Standard and supplemental guidance\1) Agree**

### 3. Regulators and Audit Oversight Authorities

#### Botswana Accountancy Oversight Authority

We agree with the proposed approach.

### 4. National Auditing Standard Setters

#### Federación Argentina de Consejos Profesionales de Cs. Económicas

Answer: We consider the proposed approach for future updates and maintenance of the Standard and related supplemental guidance adequate. We consider that by means of reference guides, guidelines can be established that indicate with greater precision how to evaluate the application of the standard in the corresponding entities.

#### Indonesian Institute of Certified Public Accountants (IAPI)

Response: The proposed approach appears sensible, enabling more timely action when warranted by the circumstances.

#### Institute of Chartered Accountants of India

We agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance.

### 5. Accounting Firms

#### Azets Audit Services

Response

We agree with the approach outlined, that amendments to ED-ISA for LCE will be made periodically when projects to revise ISAs are undertaken with explicit consideration of when the changes to ED-ISA for LCE as part of each ISA project.

#### BDO International

Response: Yes, the proposed process makes sense.

#### Crowe Global

We agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance.

#### Duncan & Toplis Limited

Response: Yes, we see no issues with this. As ISAs are revised, it would be obvious to look at how any suggestions revisions are also made to the LCE-ISA. Both the ISAs and LCE-ISA need to always be based upon the same principles.

#### ETY sas

Response:

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

#### Famme & Co. Professional Corporation

We agree with the proposed approach.

#### PKF International Limited

Response:

We agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance.

### 6. Public Sector Organizations

#### Audit Scotland

Yes.

#### Auditor-General of New Zealand

We agree with the proposed approach.

## Swedish National Audit Office

Response:  
Yes.

## 7. Professional Accountancy and Other Professional Organizations

### Botswana Institute of Chartered Accountants

Response: We agree with the Board's proposal to the future updates and maintenance of the Standard and related supplemental guidance.

### Chamber of Auditors of the Republic of Azerbaijan

14. Yes, we basically agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance.

### Chamber of Financial Auditors of Romania

Response:  
We strongly agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance.

### Chartered Accountants Ireland

We agree with the proposed approach that future updates to the ISAs should be reflected in the LCE standard at the same time.

### Chartered Governance and Accountancy Institute in Zimbabwe

Response: Yes. We agree with the proposed approach to future updates and maintenance.

### Confederation of Swedish Enterprise

Response: Yes, we agree.

### European Federation of Accountants and Auditors for SMEs

Response:  
We agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance.  
The approach strikes an appropriate balance between having a relatively stable platform and ensuring the standard reflects prevailing best practice.

### Federation of Accounting Professions of Thailand

Yes.

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

Response: KPAP agrees with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance.

### Institute of Certified Public Accountants of Cyprus

Response: Yes. We agree with the IAASB's commitment to propose that amendments to ED-ISA for LCE will be made periodically when projects to revise ISAs are undertaken.

### Institute of Certified Public Accountants of Kenya

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

### Institute of Certified Public Accountants of Rwanda

Response: We agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance.

### Institute of Certified Public Accountants of Uganda

Comment:  
We agree with the proposed approach to future updates and maintenance of the standard and related supplemental guidance.

### Institute of Chartered Accountants of Jamaica

Response: YES

### **Institute of Chartered Accountants of Namibia**

Response: Yes.

### **Institute of Chartered Accountants of Scotland**

Response to Question 14

We are supportive of the proposed approach.

### **Instituto dos Auditores Independentes do Brasil**

Yes.

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

Response:

We believe that such an approach is appropriate, and we are in support.

### **Korean Institute of Certified Public Accountants**

We agree with the approach proposed by the IAASB.

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

Response:

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

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

Response:

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

### **Polish Chamber of Statutory Auditors Warsaw (Regional Branch)**

Response: We assess the approach to future updates as correct, while the requirements of the standard should be precise enough not to require supplementing them with additional guidelines.

### **REA Auditores**

Response:

We agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance, which strikes an appropriate balance between having a relatively stable platform and ensuring the standard reflects prevailing best practice.

### **Society of Certified Accountants and Auditors of Kosovo (SCAAK)**

Response: We agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance.

The approach strikes an appropriate balance between having a relatively stable platform and ensuring the standard reflects prevailing best practice.

### **South African Institute of Professional Accountants**

Response: We agree with the proposed approach to future updates and maintenance

## **8. Academics**

### **Argentine institute of Auditing Professors**

Response: We agree with the entire approach that has been proposed for both future updates and maintenance of the standard.

## **9. Individuals and Others**

### **Rodoula Roussou**

Response:

Yes I agree.

### **Vera Massarygina**

Response: Yes.

## **Specific Questions\Section 4F – Other Matters\Question 14 - Do you agree with the proposed approach of future updates and maintenance of the Standard and supplemental guidance\2) Timing of revision\ a. Align with revisions to ISAs**

### **3. Regulators and Audit Oversight Authorities**

#### **Committee of European Auditing Oversight Bodies**

If the update is not carried out in a reasonable timeframe, we risk having long delays in the adaptation of the ISA for LCE. This could lead to this ISA always being outdated compared to the full ISAs. This could imply that auditors would need to refer back to the ISAs and would end with the proposed intention of the IAASB that this is a standalone standard. This inconsistency is also likely to widen the expectation gap as users are likely to expect that any changes to the ISAs apply to all audits.

#### **Finance Professions Supervisory Centre Indonesia**

To answer questions 14 and 15, we agree with the proposed approach to the future updates and maintenance of the standard and related supplemental guidance. Likewise, regarding the urgency to adjust the contents of the ED-ISA for LCE when the ISA changes as described in paragraphs 146-148. Therefore, it is allowed to early adoption with any subsequent revisions to the standard, but by considering the complexity of the revision of the standard as well as for adjustment to ISA changes. Therefore, the understanding and limitations of companies and auditors on this standard need to be properly disseminated. So that if there are revisions to the ISA in the future, the ED-ISA for LCE can immediately adjust.

#### **Irish Auditing and Accounting Supervisory Authority**

If updates are not carried out in a reasonable timeframe, we risk having long delays in the adaptation of the ISA for LCE. This could lead to this ISA always being outdated compared to the full ISAs. This inconsistency is also likely to widen the expectation gap as users are likely to expect that any changes to the ISAs apply to all audits.

### **4. National Auditing Standard Setters**

#### **Australian Auditing and Assurance Standards Board**

AUASB Response:

The AUASB considers the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance to be appropriate. Considerations to update the proposed ED-ISA for LCE Standard should be made as and when there are ISA revisions on the same topic. This minimises gaps in the mandatory requirements in both proposed ED-ISA for LCE Standard and ISA and promotes consistency of application and audit quality.

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

Response: Yes, but a stable platform is important. Recent revisions to ISA mainly pertained complex matters related to public interest entities. Accordingly future updates should be considered carefully, and ISA LCE should only be revised when there are changes relevant for LCE.

#### **Canadian Auditing and Assurance Standards Board**

Yes. We agree with the IAASB's conclusion to include explicit consideration of what changes to ISA for LCE may be needed in each ISA project. Any revisions to ISA for LCE should be exposed with the related ISA revisions. This will ensure that ISA for LCE is updated on the same timeline as the ISAs. While considering the revisions holistically may add time and effort to the ISA project, it will ensure that the IAASB:

considers scalability issues in revising the ISAs; and

maintains consistency between the ISAs and the ISA for LCE to ensure that the ISA for LCE is of equivalent quality and enables transitioning to the ISAs.

If revisions to the ISA for LCE are not made at the same time as revisions to ISAs, we are concerned that the ISA for LCE will be a lower quality than the ISAs and make transitioning challenging. This could discourage practitioners from using the ISA for LCE.

#### **Hong Kong Institute of Certified Public Accountants**

ED-ISA for LCE is consistent with the ISAs, having the same objectives and inherent limitation to achieve the same level of assurance. Accordingly, future updates to the ISAs should include a parallel consideration on the equivalent updates (where applicable) to ED-ISA for LCE, with the same effective date, to eliminate contextual and timing differences which may cause confusion for auditors and stakeholders. Any such timing and contextual differences may also cause concern on the objective of the proposed standard to achieve a quality audit as the ISAs do.

#### **Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)**

Our experience with revisions to the ISAs since the auditor reporting and disclosures project (revisions of ISA 540, ISA 315, and ISA 600) indicates that standard setting projects in relation to the ISAs are being largely driven by regulatory concerns regarding audits of listed entities, banks, and insurance companies. This is a main source of the increasing complexity of the ISAs.

Consequently, there is a danger in establishing a process that automatically engenders a project for revisions to the LCE standard when revisions have taken place to the ISAs, which would ultimately lead to greater length and complexity for the LCE standard beyond that required for LCE audits. For these reasons, we believe that there needs to be a robust and timely process for determining which, if any, of the changes to the ISAs are actually needed for audits of financial statements of LCEs. We therefore expect that over time there will need to be an increasing divergence between the length and complexity of the ISAs and those of the LCE standard.

## **New Zealand Auditing and Assurance Standards Board**

The NZAuASB considers the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance to be appropriate, i.e., to update the ISA for LCE as and when there is a ISA revision on the same topic. This minimizes gaps in the mandatory requirements in both the ISA for LCE and the ISAs and promotes consistency of application and audit quality.

## **5. Accounting Firms**

### **Baker Tilly International**

Baker Tilly comments: We agree that amendments to ISA for LCE should be made periodically when projects to revise ISAs are undertaken. Too big a step from ISA for LCE to ISAs would represent an administrative barrier to growth for the LCE and administrative burden for an audit firm conducting both LCE audits and ISA audits.

### **Ernst & Young Global Limited**

We agree with the proposed approach to the future updates and maintenance of the ED-ISA for LCE and the related supplemental guidance. Amendments to the ED-ISA for LCE need to be made periodically to align to the timing of when projects to revise ISAs are undertaken. It is important that, as part of each ISA project, there will be explicit consideration given as to when the changes to ED-ISA for LCE should be made.

### **Grant Thornton International Limited**

We agree in principle with the approach to future updates and maintenance of the Proposed Standard, that is, to consider necessary updates to the Proposed Standard as part of a project to revise or develop a new ISA. However, it is unclear whether the effective dates of any changes arising from the ISA projects will be the same for the Proposed Standard as for the ISA. To avoid confusion, we are of the view that the effective date of any amendments that affect both the Proposed Standard and the ISA should be the same.

### **KPMG IFRG Limited**

We recognise that the IAASB proposes to amend/update the LCE ISA periodically, when projects to revise the full-scope ISAs are undertaken, but with explicit consideration of conforming amendments to be made on a case-by-case basis. More urgent narrow-scope amendments would be made as needed. This approach recognises that the content of the standard is intrinsically linked with the full-scope ISAs, and would balance the need for a high-quality standard (with alignment of core requirements with the full-scope ISAs as far as possible, avoiding time differences between implementation/ effective dates, which could give rise to confusion) with the need for a stable platform whilst the standard is understood and implemented.

We support the IAASB's view in terms of striking an appropriate balance between ensuring the standard remains of a high quality, whilst maintaining a stable platform. We agree with their view that amendments to the full-scope ISAs are usually aimed at issues that are frequently identified through inspections, which mainly occur at entities with significant public interest characteristics and which therefore have less relevance/urgency in terms of LCEs. However, we believe the standards should be converged and changes adopted concurrently, where reasonable, to avoid unnecessary confusion and to ease the burden on firms maintaining two sets of methodologies, training etc. Accordingly, we recommend that future EDs of full-scope ISAs are specifically considered by the IAASB in terms of whether conforming amendments should also be made to the LCE ISA.

### **Mazars**

Not really: we advocate for a stable platform especially for SMPs. So we suggest that changes are made not only as "conforming" changes but if they are really relevant for the LCE.

This is an important subject. As stated in paragraph 144 in the Explanatory Memorandum, recent changes to ISA are more directed towards PIE and complex entities. When changes are made it is important that the changes in ISA are analysed and challenged based on the characteristics of LCE before added to ISA for LCE. This might lead to that differences between the standards increase over the years.

### **RSM International**

Response: Yes, we agree with the proposals in section 4F regarding future updates and maintenance of the Standard. It is important that auditors who may be using ISAs as well as the proposed standard can apply consistent approaches to auditing on a stable platform. We therefore support the statement in paragraph 146 that to have differing requirements could create confusion for auditors as well as implementation challenges for firms.

## 6. Public Sector Organizations

### Government Accountability Office (USA)

The IAASB's determination to maintain a stable platform for an ISA for LCE does cause some concern. We believe that another ISA being updated without a corresponding update in the ISA for LCE may create confusion and possible incorrect use of an updated requirement in a LCE audit. Assessing the nature of updates to ISAs may be necessary to determine whether corresponding updates to the ISA for LCE should occur concurrently or wait until a predetermined update. We believe that a structured cycle for updating this standard should be implemented with a set planned interval for update, including consideration of whether significant updates to related standards necessitate more frequent updates.

## 7. Professional Accountancy and Other Professional Organizations

### Accountancy Europe

Recent revisions to the ISAs have mainly focused on public interest entities and complex matters. We believe that this trend will continue. Accordingly, future updates to the ISAs should be evaluated and the ISA for LCE should be revised only when there are changes relevant for LCE. We believe that the divergence (in terms of the level of detail) between the standards will increase over time.

### ASSIREVI

We agree with the proposed approach. The proposed ISA for LCE should not undergo much change even if the ISAs are modified given the nature of the LCEs and the fact that these modifications are made mainly to adapt to increasingly specific (and complex) entities.

It would be appropriate that the two sets of standards be kept in line with general requirements, as a difference in requirements would not be understandable and would engender confusion, especially for the users of financial statements and auditor's reports, generating the perception that the proposed ISA for LCE allows for a more superficial audit.

### Belgian Institute of Registered Auditors (IBR-IRE)

Response: We agree with the amendments to be made in line with possible revisions to similar concepts in the current ISAs. This is useful, in particular, in order to have at least an equal base in circumstances where transitioning to the ISAs is required.

### Chamber of Auditors of the Czech Republic

The ISA for LCE should be revised only when there are changes in ISAs relevant for LCE.

### CPA Australia

We support the proposed approach of making amendments to the LCE standard to reflect revisions to the ISAs as they occur, in the same way that conforming amendments are made currently. We also support the alignment of the effective date for amendments to the LCE standard with that of the relevant ISA amendments, which would be at least 18 months. Whilst constant changes to the standards is difficult for SMPs to manage, we consider that it is more important that the LCE standard aligns with the ISAs so that methodologies and training are consistent. Whilst we are concerned that the LCE standard will become a standard that will have to be continuously updated, as most changes to the ISA requirements will require changes to the LCE standard, the impacts could be overcome by identifying the updated wording and the implementation date against the relevant paragraphs within the standard, so the changes are immediately identifiable.

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

This is an important subject. As stated in paragraph 144 in the Explanatory Memorandum, recent changes to ISA are more directed towards PIE and complex entities. When changes are made it is important that the changes in ISA are analysed and challenged based on the characteristics of LCE before added to ISA for LCE. This might lead to that differences between the standards increase over the years.

### Institute of Certified Public Accountants in Israel

We believe that a structured cycle of updates should be put in place with corresponding updates to the ISA for LCEs occurring concurrently with updates to other ISAs. The standard should be maintained such that any audit conducted in accordance with this standard constitutes an audit that was conducted properly.

### Institute of Chartered Accountants of Ghana

Response: Yes we do. Per the guidance, the need for a stable platform is balanced by the IAASB's desire to ensure standards are up to date, consistent and that requirements relating to the same topic are not substantially different between ED-ISA for LCE and the ISAs.

Per the guidance, not updating ED-ISA for LCE on the same timeline as revisions to ISAs will create a timing difference in the effective date of requirements applicable to the same topic under both sets of standards. Therefore, on balance the IAASB agreed to commit to propose that amendments to ED-ISA for LCE will be made periodically when projects to revise ISAs are

undertaken. As part of each ISA project, it is intended that there will be explicit consideration of when the changes to ED-ISA for LCE will be made, and proposals for those changes that are needed to ED-ISA for LCE developed accordingly. The IAASB would also consider any specific issues that have been brought to the attention of the IAASB regarding application of ED-ISA for LCE. If there is an urgent matter(s) that would make ED-ISA for LCE inoperable in the circumstance if a change(s) is not made, there is also the ability to process a narrow scope amendment to make such a change. It is expected that updates to the supplemental guidance (Authority and Reporting) will be made using the same timescale as changes to the proposed standard.

For the initial rollout, the IAASB expects that there will be a period of at least eighteen months between when any final amendments to ED-ISA for LCE are issued and the effective date of the updated revised standard, with the option to adopt revisions early (in the same way that newly revised or issued ISAs may be adopted early).

We also proposed centralize email where practitioners could send information on challenges that could assist IAASB collect feedback for future updates.

### **Institute of Chartered Accountants of the Maldives**

Maintenance: The proposed approach to maintenance appears sensible, enabling more timely action if and when warranted by the circumstances. The ability to update on a timely basis with changes to the ISAs may also be necessary if the ISA for LCEs is going to be allowed for use in audits of components of groups that are not deemed to be LCEs, including listed groups or groups with public interest characteristics. Sticking to a strict model of only updating on a set cycle, e.g., every three years, could be argued to preclude the use of the ISA for LCEs for any component audit work as the group audit, in its entirety, needs to be performed in accordance with the ISAs.

### **Instituto Salvadoreño de Contadores Públicos (ISCP)**

Answer:

We agree with the review period; but in the case of implementation it is suggested to reduce from 18 to 6 months.

### **Malaysian Institute of Certified Public Accountants**

We are of the view that all changes to the extant ISAs should be similarly considered for this standalone ISA and updated at the same time if required. This is to ensure that this standalone standard is aligned with the extant ISAs which will allow for easier transitioning of the LCE audits to the extant ISAs framework.

### **Nordic Federation of Public Accountants**

This is an important matter. As stated in paragraph 144 in the EM, recent changes to the ISAs are more directed towards audits of PIEs and complex entities. When changes are made in the ISAs it is important that those changes are analyzed and challenged based on the characteristics of LCEs before being added to ISA for LCE. This might over time result in increased divergence between the standards, which in our view could be justified.

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

We believe that the current practice of updating standards (ISAs) can be effectively extended to this standard.

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

111. Yes, however, only those changes that are applicable in the LCE environment should be incorporated in the LCE standard. As mentioned in our general comments section, a lot of the changes that have been made in the ISA are driven primarily by developments in PIE audits, therefore these may not necessarily be applicable. As part of the IAASB's consultation process for new and revised standards, standard questions will need to be included on whether proposed changes should be incorporated in the LCE standard. This may also require more SMP representation on IAASB project groups to ensure thorough consideration of the views of the SMP sector.

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

If the revision of ISAs will result in simplifications and clarifications that might also be applicable to ISAs for LCE, then those updates and maintenance would be relevant.

## **8. Academics**

### **Hunter College Graduate Program**

14. We agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance because all the changes made will be reasonable for all the stakeholders, and maintain a stable platform. During the process of the project, the stakeholders' (SMPs and SMEs) voices will always be heard, and it's a significant factor for IAASB to consider while making the decision to adopt and use the standard. An entity using the ED-ISA for LCE will have at least 18 months to understand the new standard and even a new or revised standard finalized IAASB will provide an exact day for the entity to apply. Also, if the ED-ISA for LCE is inoperable for specific entities, there is the ability to process a narrow-scope amendment in supplemental guidance to help them.

## 9. Individuals and Others

### ASK KSA Consulting Inc.

ASK KSA Response:

We believe the commitment to propose amendments on a “periodic basis” needs to be clarified. The ISAs and ED-ISA for LCEs today are similar. However, if updates to the ED-ISA for LCE are not made on a relatively similar to timeline as the ISAs the standards will start to diverge significantly causing risk. We recognize the standard is to be a standalone standard but due to the other issues raised such as firm templates, training and transition matters, they cannot diverge too greatly.

This then raises the question that is a theme throughout our response. Then why even bother with the standard as it is drafted today. It is only if there is truly a separate standalone standard with very narrow application then the issues are addressed.

### Cristian Munarriz

Response: Yes. Nonetheless in the rare cases where changes to ISAs arise which are incompatible with ISA for LCE (I do not mean additional or enhanced requirements in the full ISAs, but requirements where compliance with ISAs will mean that an audit may not comply with ISA for LCE because of substantial different approaches), then immediate action is needed to avoid issues related to: 1) complexities in firm’s methodologies for auditors performing some engagements under ISAs and other engagements under ISA for LCE, or 2) auditing a component for group audit purposes under ISAs and performing a statutory audit under ISA for LCE for the same entity.

### **Specific Questions\Section 4F – Other Matters\Question 14 - Do you agree with the proposed approach of future updates and maintenance of the Standard and supplemental guidance\2) Timing of revision\b. On a periodic cycle**

## 4. National Auditing Standard Setters

### Japanese Institute of Certified Public Accountants

It is desirable that the ISA for LCE will be stably operated as a separate and standalone standard from ISAs. We therefore agree with the proposal to revise the standard periodically rather than revising it immediately when an ISA is revised.

### Royal Netherlands Institute of Chartered Accountants (NBA)

Response: We think that this might be difficult in practice. It will require extensive efforts for audit firms to implement new updates regularly.

## 5. Accounting Firms

### Price Bailey LLP

Response: Yes every three years would give sufficient time to properly consider whether the amendments need to be made to the LCE standard and ensure only appropriate changes are adopted. Need to maintain a mapping which will clearly show the differences between the LCE and main ISA's.

### PriceWaterhouseCoopers

We agree that consideration of any changes to the standard on a triennial basis is reasonable to provide a somewhat stable platform for all stakeholders. Circumstances may however arise that necessitate a more urgent need for change, for example if there is a substantive revision to the IESBA Code that requires more immediate alignment. The Board should retain flexibility to address such circumstances should they arise.

Notwithstanding our comments on the importance of the separate standard being sufficiently distinguishable from the ISAs, it would be appropriate for the Board to accumulate relevant changes to any ISAs during the triennial period and subsequently consider whether the nature of such changes would warrant a corresponding change to the ISA for LCE.

## 7. Professional Accountancy and Other Professional Organizations

### Association of Practising Accountants

Response: Yes every three years would give sufficient time to properly consider whether the amendments need to be made to the LCE standard and ensure only appropriate changes are adopted. This will also necessitate an upto date transparent and publicly available mapping document which show the differences between the LCE and main ISA's.

### CPA Ireland

CPA Ireland considers that it may be appropriate to review the standard every two years to incorporate any changes to the underlying ISAs. This is to allow for periods of stability in the standard and the methodologies that firms are using.

## Finnish Association of Authorised Public Accountants

After finishing ISA for LCEs, the cord to the ISAs needs to be cut! All major changes to the ISAs would probably relate to complex matters anyway, and would therefore not affect LCE audits. Thus, the importance of a separate standard for LCEs (and SMEs) will be even more important in the future.

The need to update ISA for LCE should be evaluated regularly, but not yearly, and it should not be considered necessary to copy all the changes made in ISAs. We recognize that it would be better, if the language, terminology and core requirements were as similar as possible between ISAs and ISA for LCE in the future too, but changing something in ISAs does not diminish the reasonable assurance that ISA for LCE provides.

A stable platform would help with the maintenance of audit software and checklists, and also the knowledge of the requirements would remain up-to-date longer.

## Institute of Chartered Accountants in England and Wales

We agree with the proposed approach to the future updates and maintenance of the standard every three years. We re-iterate the need for IAASB to consider carefully its approach to this and not to default to include everything within the standard when an ISA is developed or revised.

**Specific Questions\Section 4F – Other Matters\Question 14 - Do you agree with the proposed approach of future updates and maintenance of the Standard and supplemental guidance\2) Timing of revision\c. As needed**

### 4. National Auditing Standard Setters

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

Recent revisions to ISAs have mainly focused on public interest entities and complex matters. We believe that this trend will continue.

Thus, we believe that revisions of the Standard should only be made when the changes are relevant for the audit of LCEs. Only changes / amendments that are relevant to the Standard and those that are necessary to maintain the level of reasonable assurance and the audit quality should be considered. Therefore, we do not support systematic updates of the ED-ISA for LCE and the related supplemental guidance based on the revisions of the ISAs. We prefer a case-by-case analysis. However, because it is so central to the expectation gap, we believe that fraud should be given particular attention in the updating and maintenance of the Standard and the related supplemental guidance when the work currently undertaken by the IAASB on fraud will be finalized.

#### Public Accountants and Auditors Board Zimbabwe

Response: As highlighted there are different pros and cons to each adopted approach. Over time the ISA for LCE should reflect the audit needs of its constituent rather than alignment with ISA.

### 8. Academics

#### Brunel University London

We believe in the initial stage of adoption, option (a) of continuous updating should be used to allow feedback from early adopters and audit firms and improvement of the standard. This can then be changed to option (b) in later years/phases of adoption.

**Specific Questions\Section 4F – Other Matters\Question 14 - Do you agree with the proposed approach of future updates and maintenance of the Standard and supplemental guidance\2) Timing of revision\ld. Mixed views**

### 3. Regulators and Audit Oversight Authorities

#### Independent Regulatory Board for Auditors (IRBA)

We agree with the proposed approach to the future updates and maintenance of the proposed standard and related supplemental guidance to ensure that they are fit for purpose and consistent to avoid confusion.

However, we suggest that amending the proposed standard when projects to revise the ISAs are undertaken requires a proviso that the proposed standard not be amended more than once annually.

Although it is unlikely that more than one ISA would be revised in one calendar year, it is necessary to add this proviso as a precautionary measure.

## 4. National Auditing Standard Setters

### Malaysian Institute of Accountants

Response: Yes we agree there needs to be continuous stakeholder engagement to understand and address practical challenges in applying the proposed standard.

A stable platform seems desirable although the members of the Institute was split on how often changes should occur. While some felt changes should be reviewed on a periodic basis, others thought that making changes as needed would result in major changes to the ISAs being properly reflected in a timelier fashion.

## 5. Accounting Firms

### MHA Monahans

Future updates should be based on early feedback from users of the standard and regulators. It is also important that the LCE standard maintains its link to the main ISAs so it remains useful and relevant.

## 6. Public Sector Organizations

### Office of the Auditor General of Alberta

As an independent standard, future updates and maintenance should follow the same diligence as other standalone standards, i.e. ISAs and ISAE 3000.

Because these are standalone standards, it is not necessary to have parallel updates to both standards at the same time. For example, updates to the ISAs do not require updates to ISAE 3000. In the same way, updates to ISAs for More Complex Entities do not need to result in updates to ISAs for LCE, or vice versa.

However, we note that in several cases, the IAASB should begin to have projects that go across all its standards. This would avoid possible issues, such as with the ISQM standards where differential engagement-level quality control requirements exist between the ISAs and ISAEs. So rather than a project that only updates ISA 500, instead IAASB should plan a project that examines what audit evidence is, regardless of whether it is evidence used in a financial statement audit or an assurance engagement under ISAE 3000.

## 7. Professional Accountancy and Other Professional Organizations

### Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants

We have heard mixed views on the approach. Some practitioners feel a regular update cycle such as every three years may be easier to manage from a methodology perspective for practitioners who will largely perform ISA for LCE auditors. Those who expressed a preference for ISA for LCEs to be maintained as the full suite of ISA is revised or added to, had concerns about the potential complications of having different requirements in operation in different methodologies for firms who may perform full ISA audits and ISA for LCE audits. We suggest the board consider an approach that provides some flexibility such as a regular three-year update cycle but provisions that allow an 'out of cycle' update if the board releases a major new standard or revision which they consider should be adopted by practitioners using ISAs for LCEs at the same time as those using the full ISA suite.

### Institute of Chartered Accountants of Pakistan

The content of ED -ISA for LCE is linked to and based on the ISAs. We agree with proposed approach of maintaining a stable platform and amending the ISA for LCE when projects to revise ISAs are undertaken. IAASB can also set a period of 2-3 years for the post implementation review of this major change in the auditing framework.

### International Federation of Accountants' Small and Medium Practices Advisory Groups

The SMPAG believes that a stable platform should be maintained where possible. However, there are mixed views on how often changes should occur. While some felt changes should be reviewed on a periodic basis, others thought that making at least the more significant changes as needed would result in such changes being reflected in a timelier fashion.

## **Specific Questions\Section 4F – Other Matters\Question 14 - Do you agree with the proposed approach of future updates and maintenance of the Standard and supplemental guidance\4) Comments on Scope of Revisions (Regardless of timing)**

## 4. National Auditing Standard Setters

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

Response: Yes, but a stable platform is important. Recent revisions to ISA mainly pertained complex matters related to public interest entities. Accordingly future updates should be considered carefully, and ISA LCE should only be revised when there are changes relevant for LCE.

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

Recent revisions to ISAs have mainly focused on public interest entities and complex matters. We believe that this trend will continue.

Thus, we believe that revisions of the Standard should only be made when the changes are relevant for the audit of LCEs. Only changes / amendments that are relevant to the Standard and those that are necessary to maintain the level of reasonable assurance and the audit quality should be considered. Therefore, we do not support systematic updates of the ED-ISA for LCE and the related supplemental guidance based on the revisions of the ISAs. We prefer a case-by-case analysis. However, because it is so central to the expectation gap, we believe that fraud should be given particular attention in the updating and maintenance of the Standard and the related supplemental guidance when the work currently undertaken by the IAASB on fraud will be finalized.

## Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)

Our experience with revisions to the ISAs since the auditor reporting and disclosures project (revisions of ISA 540, ISA 315, and ISA 600) indicates that standard setting projects in relation to the ISAs are being largely driven by regulatory concerns regarding audits of listed entities, banks, and insurance companies. This is a main source of the increasing complexity of the ISAs. Consequently, there is a danger in establishing a process that automatically engenders a project for revisions to the LCE standard when revisions have taken place to the ISAs, which would ultimately lead to greater length and complexity for the LCE standard beyond that required for LCE audits. For these reasons, we believe that there needs to be a robust and timely process for determining which, if any, of the changes to the ISAs are actually needed for audits of financial statements of LCEs. We therefore expect that over time there will need to be an increasing divergence between the length and complexity of the ISAs and those of the LCE standard.

## 5. Accounting Firms

### KPMG IFRG Limited

We recognise that the IAASB proposes to amend/update the LCE ISA periodically, when projects to revise the full-scope ISAs are undertaken, but with explicit consideration of conforming amendments to be made on a case-by-case basis. More urgent narrow-scope amendments would be made as needed. This approach recognises that the content of the standard is intrinsically linked with the full-scope ISAs, and would balance the need for a high-quality standard (with alignment of core requirements with the full-scope ISAs as far as possible, avoiding time differences between implementation/ effective dates, which could give rise to confusion) with the need for a stable platform whilst the standard is understood and implemented.

We support the IAASB's view in terms of striking an appropriate balance between ensuring the standard remains of a high quality, whilst maintaining a stable platform. We agree with their view that amendments to the full-scope ISAs are usually aimed at issues that are frequently identified through inspections, which mainly occur at entities with significant public interest characteristics and which therefore have less relevance/urgency in terms of LCEs. However, we believe the standards should be converged and changes adopted concurrently, where reasonable, to avoid unnecessary confusion and to ease the burden on firms maintaining two sets of methodologies, training etc. Accordingly, we recommend that future EDs of full-scope ISAs are specifically considered by the IAASB in terms of whether conforming amendments should also be made to the LCE ISA.

### Mazars

Not really: we advocate for a stable platform especially for SMPs. So we suggest that changes are made not only as "conforming" changes but if they are really relevant for the LCE.

This is an important subject. As stated in paragraph 144 in the Explanatory Memorandum, recent changes to ISA are more directed towards PIE and complex entities. When changes are made it is important that the changes in ISA are analysed and challenged based on the characteristics of LCE before added to ISA for LCE. This might lead to that differences between the standards increase over the years.

## 7. Professional Accountancy and Other Professional Organizations

### Accountancy Europe

Recent revisions to the ISAs have mainly focused on public interest entities and complex matters. We believe that this trend will continue. Accordingly, future updates to the ISAs should be evaluated and the ISA for LCE should be revised only when there are changes relevant for LCE. We believe that the divergence (in terms of the level of detail) between the standards will increase over time.

### ASSIREVI

We agree with the proposed approach. The proposed ISA for LCE should not undergo much change even if the ISAs are modified given the nature of the LCEs and the fact that these modifications are made mainly to adapt to increasingly specific (and complex) entities.

It would be appropriate that the two sets of standards be kept in line with general requirements, as a difference in requirements would not be understandable and would engender confusion, especially for the users of financial statements and auditor's reports, generating the perception that the proposed ISA for LCE allows for a more superficial audit.

### **Chamber of Auditors of the Czech Republic**

The ISA for LCE should be revised only when there are changes in ISAs relevant for LCE.

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

This is an important subject. As stated in paragraph 144 in the Explanatory Memorandum, recent changes to ISA are more directed towards PIE and complex entities. When changes are made it is important that the changes in ISA are analysed and challenged based on the characteristics of LCE before added to ISA for LCE. This might lead to that differences between the standards increase over the years.

### **Nordic Federation of Public Accountants**

This is an important matter. As stated in paragraph 144 in the EM, recent changes to the ISAs are more directed towards audits of PIEs and complex entities. When changes are made in the ISAs it is important that those changes are analyzed and challenged based on the characteristics of LCEs before being added to ISA for LCE. This might over time result in increased divergence between the standards, which in our view could be justified.

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

111. Yes, however, only those changes that are applicable in the LCE environment should be incorporated in the LCE standard. As mentioned in our general comments section, a lot of the changes that have been made in the ISA are driven primarily by developments in PIE audits, therefore these may not necessarily be applicable. As part of the IAASB's consultation process for new and revised standards, standard questions will need to be included on whether proposed changes should be incorporated in the LCE standard. This may also require more SMP representation on IAASB project groups to ensure thorough consideration of the views of the SMP sector.

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

If the revision of ISAs will result in simplifications and clarifications that might also be applicable to ISAs for LCE, then those updates and maintenance would be relevant.

## **Specific Questions\Section 4F – Other Matters\Question 14 - Do you agree with the proposed approach of future updates and maintenance of the Standard and supplemental guidance\5) Other comments**

### **3. Regulators and Audit Oversight Authorities**

#### **Committee of European Auditing Oversight Bodies**

Maintenance of the ISA for LCE over time

We also remain uncertain as how the ISA for LCE is going to be maintained. The way the IAASB has explained its intention to update the ISA for LCE (including the necessity to continue to update the mapping made available for the consultation and the supplemental material) when ISAs are revised remains too vague and unclear.

#### **Irish Auditing and Accounting Supervisory Authority**

Maintenance of the ISA for LCE

The IAASB's intention to update the ISA for LCE (including the necessity to continue to update the mapping made available for the consultation and the supplemental material) when ISAs are revised requires further clarification.

### **4. National Auditing Standard Setters**

#### **Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts-Comptables**

Finally, even though we ask for a stable platform on the ISA for LCE, we nevertheless recommend that the mapping document (ISA/ISA for LCE) be updated regularly. In particular, we believe that updating and maintaining the mapping document is essential to support the audit quality conducted in accordance with ED-ISA for LCE and to justify its relevance. Such procedures contribute to the foundations of the Standard.

### **5. Accounting Firms**

#### **Grant Thornton International Limited**

We agree in principle with the approach to future updates and maintenance of the Proposed Standard, that is, to consider necessary updates to the Proposed Standard as part of a project to revise or develop a new ISA. However, it is unclear whether the effective dates of any changes arising from the ISA projects will be the same for the Proposed Standard as for the ISA. To

avoid confusion, we are of the view that the effective date of any amendments that affect both the Proposed Standard and the ISA should be the same.

### **Mazars**

What is key is to make the regular update of the mapping document as it is fundamental to support the roots of the ISA for LCE. We also wonder how and if the ISA for LCE will benefit from the CUSP project?

### **Price Bailey LLP**

Response: Yes every three years would give sufficient time to properly consider whether the amendments need to be made to the LCE standard and ensure only appropriate changes are adopted. Need to maintain a mapping which will clearly show the differences between the LCE and main ISA's.

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

### **Association of Practising Accountants**

Response: Yes every three years would give sufficient time to properly consider whether the amendments need to be made to the LCE standard and ensure only appropriate changes are adopted. This will also necessitate an upto date transparent and publicly available mapping document which show the differences between the LCE and main ISA's.

### **Institute of Chartered Accountants of Ghana**

We also proposed centralize email where practitioners could send information on challenges that could assist IAASB collect feedback for future updates.

### **Instituto Salvadoreño de Contadores Públicos (ISCP)**

Answer:

We agree with the review period; but in the case of implementation it is suggested to reduce from 18 to 6 months.