

# Supplement 1-04 to Agenda Item 2

## Audits of Less Complex Entities – ED-ISA for LCE – Q19 (Implementation Guidance)

### Specific Questions\Section 4G - Approach to Consultation and Finalization\Question 19 - What support and guidance would be useful when implementing the proposed standard\19(a) Suggestions Provided\1. Implementation and first time adoption

#### 3. Regulators and Audit Oversight Authorities

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

The following guidance material would be useful:

- Application of the proposed standard.

#### 4. National Auditing Standard Setters

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

Response: An implementation guide such as the IFAC Guide to Using ISAs in the Audits of Small and Medium-Sized Entities would be very much welcomed and will be most beneficiary for small and medium-sized practitioners.

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

We believe that the many useful guides that have been developed by SMP AG of IFAC for the audit of SMEs should be updated as soon as possible to fit the ISA for LCE standard.

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

In 2007, IFAC developed a guide providing practical support for small and medium-sized practices when implementing the ISAs for SMEs. The guide had been revised several times and is in its fourth edition. We find the guide helpful in explaining the ISAs requirements in simple language with illustrative templates and case studies.

It would be helpful if a similar guide could be developed and provided to support the implementation of the proposed standard.

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

Response: Suggest to provide an implementation guidance to supplement the EEM in order to reduce the risk of the inconsistencies of the work/procedures performed by the Auditor

##### Institute of Chartered Accountants of India

In our view, IAASB may develop a detailed Implementation Guide on proposed standard to provide guidance. The Guide may cover guidance to explain various concepts/requirements in proposed standard and may include practical examples.

More practical examples need to be provided on who would be defined as those charged with governance in promoter driven entities?

#### 5. Accounting Firms

##### Azets Audit Services

To draw prominence to the EEM and help clarify documentation expectations, separate supplemental guidance or practical examples should also be published, for example as seen in the IFAC Guide to Review Engagements and Guide to Using ISAs in the Audits of Small and Medium-Sized Entities.

##### Crowe Global

There are concerns about the practicality and cost for audit firms about supporting dual audit systems. During implementation, the IAASB together with adopting national oversight authorities and standard setters must work with and support the providers of audit documentation applications to facilitate the implementation of the standard, including the ability to smoothly move between ISA and ISA for LCA.

The IAASB ought to issue an Implementation Guide and multi-media introductory materials, consistent with the resources issued to support new and revised ISAs. In the case of this proposed standard, support to the providers of automated audit applications is important, because of the reliance that auditors place on these applications.

##### ETY sas

Response:

In our view the following documentation would useful for the implementation:

Implementation guidance including examples et templates,

Q&A tools on the standard, guides and implementation materials,

Factsheets,  
Recorded vulgarisation webinars  
Practice statements.

Implementation Guidance issued as soon as possible after the issue of the final standard will strongly support auditors by providing further explanation of the requirements and guidance for carrying them out.

### **KPMG IFRG Limited**

Accordingly, we recommend that additional guidance be developed to provide further detail as to how requirements could be operationalised when auditing an LCE as opposed to a more complex entity, with worked examples including comparing and contrasting examples for audits conducted in accordance with the full-scope ISAs versus the LCE ISA. We also suggest that content from the IFAC Guide to Using ISAs in the Audits of SMEs, which is intended to explain fundamental principles and provide practical support, could be repurposed to help achieve this objective. We recommend that the IAASB consider this as part of their CUSP documentation workstream more fully.

### **Mazars**

Implementation guides (including the IFAC SME guide update) to practitioners, firms and other users of ISA for LCE (i.e. regulators).

We reiterate the need for an update of the IFAC SME guide which includes examples. We believe that a simple ABC example will help the buy in and implementation of the standard.

## **6. Public Sector Organizations**

### **Government Accountability Office (USA)**

The use of implementation guides and discussions with standard setters and auditors who will implement the proposed standard would be helpful.

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

### **Accountancy Europe**

In addition, an implementation guide such as the IFAC Guide to Using ISAs in the Audits of Small and Medium-Sized Entities would be very beneficial particularly for small and medium-sized practitioners (SMPs).

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

In addition, an implementation guide such as the IFAC Guide to Using ISAs in the Audits of Small and Medium-Sized Entities would be very beneficial.

### **Chartered Governance and Accountancy Institute in Zimbabwe**

Response: Implementation Guidance should be issued as soon as possible after the issue of the final standard to support auditors by providing further explanation of the requirements and guidance for carrying them out.

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

There is an urgent need for more support and guidance. We recognize the huge training and education effort needed for the effective implementation of the standard. This is the joint responsibility of the Board, IFAC, PAOs and others. We therefore encourage the Board to collaborate with IFAC in developing appropriate support and guidance. We urge IFAC to consider producing a Guide to the Use of ISA for LCEs, emulating its 'Guide to Using ISAs in the Audits of SMEs' ('ISA Guide'). We believe there will be an urgent need for more support and guidance.

As we previously note, the standard, quite rightly, does not include guidance as such. Guidance for the most part is best left out of the standards and included in separate non-authoritative documents produced by IFAC, PAOs and others.

We recognize the considerable training and education effort needed for the effective implementation of the standard. We therefore encourage the Board to collaborate with IFAC in developing appropriate support and guidance. We urge IFAC to consider producing a Guide to the Use of ISA for LCEs, emulating its 'Guide to Using ISAs in the Audits of SMEs' ('ISA Guide').

### **Finnish Association of Authorised Public Accountants**

IFAC's "Guide to Using International Standards on Auditing in the Audits of SMEs" has been a good guidance for Finnish SME auditors. As the guidance refers specifically to SMEs, it is relevant to LCEs as well. We hope that the IFAC decides to update the guidance to correspond with ISA for LCE. We would also like to give our comments for improvement of the guidance if IFAC decides to update it.

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

Implementation guides to practitioners, firms and other users of ISA for LCE (i.e. regulators).

### **Institute of Certified Public Accountants of Cyprus**

Response: Guidance such as non-authoritative material would be helpful. A similar guide to the Guide to Using ISAs in the Audit of SMEs providing practical examples would be of most value to the users of this standard.

### **Institute of Certified Public Accountants of Kenya**

We are of the view that Implementation Guidance be issued as soon as possible after the issue of the final standard to support auditors by providing further explanation of the requirements and guidance for carrying them out.

### **Institute of Certified Public Accountants of Uganda**

We believe that an implementation guide, in addition to the supplemental guide will be useful in the implementation of the proposed standard.

### **Institute of Chartered Accountants in England and Wales**

Further guidance could be included on how local regulators might develop and clarify the interaction between the different qualitative characteristic and examples of where entities should be in or out of scope.

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

IAASB should issue a guide to ISA for LCE with examples and authoritative to provide guidance for practitioners.

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

There would also appear merit in creating a version of the IFAC 'Guide to Using International Standards on Auditing in the Audits of Small and Medium Sized Entities' that is specifically based on use of the proposed ISA for LCEs. This document has proven to be a valuable resource over a number of years for the audit profession across the globe. As the IAASB states at paragraph 7 of Mapping Document 1:

"EEM has been included to further explain concepts or procedures in the requirements or why procedures are undertaken, but generally does not explain 'how' the procedures should be implemented (e.g., there are no detailed examples)."

Such a guide would provide the opportunity to illustrate how the procedures could be implemented in specific circumstances whilst making clear that professional judgement would need to be applied by the auditor in the particular circumstances that they face.

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

Supportin implementation; an articulated work between the institutions involved (for whom this topic is of interest) will be needed; not only its publications, but also accompanying professionals until its implementation.

A guide for implementation of the ISA for LCE issued by the competent national authority would help in a great manner the correct application of the standard.

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

In 2007, IFAC developed a guide providing practical support for small and medium-sized practices when implementing the ISAs for SMEs. The guide has been revised several times and is in its fourth edition. IFAC will coordinate with the IAASB on whether a similar guide or material can be developed to support the implementation of the proposed standard.

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

In our view the following documentation would useful for the implementation:

Implementation guidance including examples et templates,

Implementation Guidance issued as soon as possible after the issue of the final standard will strongly support auditors by providing further explanation of the requirements and guidance for carrying them out.

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

Response:

As already stated, it is ours strong view that Implementation Guidance be issued as soon as possible after the issue of the final standard to support auditors by providing further explanation of the requirements and guidance for carrying them out.

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

In addition, we consider it useful to clarify how the standard and the Guide to Using ISAs in the Audits of Small and Medium Sized Entities (the 'Guide') interrelate to each other. Perhaps the Guide should be adopted on the basis of ISAs for LCE.

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

Response: We believe there will be an urgent need for more support and guidance.

As we previously note, the standard, quite rightly, does not include guidance as such. Guidance for the most part is best left out of the standards and included in separate non-authoritative documents produced by IFAC, PAOs and others.

We recognize the considerable training and education effort needed for the effective implementation of the standard. We therefore encourage the Board to collaborate with IFAC in developing appropriate support and guidance. We urge IFAC to consider emulating its experience with its 'Guide to Using ISAs in the Audits of SMEs' ('ISA Guide') by developing a Guide to the Use of ISA for LCEs.

We also urge the Board to look at ways of placing the standard and guidance onto a common digital platform such that users can easily find the relevant requirements and supporting guidance.

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

An implementation guide is definitely needed.

### **9. Individuals and Others**

#### **ASK KSA Consulting Inc.**

ASK KSA Response:

Useful guidance would be implementation tools and specific guidance on such things as “frequently asked questions”.

#### **Cristian Munarriz**

Response: Guidance. I think templates and guidance like in the “Guide to using ISAs in the audits of SMEs” will be useful.

#### **Rodoula Roussou**

Response:

IAASB should consider issuing a new “Guide to Using ISAs for LCE” to substitute “Guide to Using ISAs in the Audits of SMEs”, which have been very helpful for the auditors.

## **Specific Questions\Section 4G - Approach to Consultation and Finalization\Question 19 - What support and guidance would be useful when implementing the proposed standard\19(a) Suggestions Provided\b. Specific areas**

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

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

- Sampling.

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

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

Answer: The level of professional judgment required according to the current wording of the standard is still very high. Although paragraphs 44 to 48 of the Explanatory Memorandum clearly describe the objective of achieving a balance between a prescriptive approach to the standard and the application of professional judgment, embodied in a scheme with the specific identification of a set of entities for which The use of the standard is prohibited, and another with "qualitative" characteristics that would exclude them if verified, the intention is frustrated in the wording of paragraphs A8 and particularly due to the ambiguity of paragraph A9 of the standard, even more so, taking into account that possibly its greatest application is in this last group of entities.

The complexity of "defining the complex" does not seem to be overcome and professional judgment remains as the main component when deciding whether or not to apply.

A more prescriptive approach would be useful in the standard or through other pronouncements that guide the professional when deciding whether or not to apply it, describing specific characteristics that, if evidenced in an entity, would exclude it from its application.

#### **Institute of Chartered Accountants of India**

Guidance is needed on what are the additional procedures to be performed to identify and address fraud risks – since the LCEs are expected to be typically promoter driven companies, there is a potential increase in fraud risk considerations as there would not be any segregation of duties.

#### **Malaysian Institute of Accountants**

Response: More guidance should be given to considerations in an outsourcing/shared service scenario and continuous adoption of digitisation and technology (e.g. automation) in businesses which may affect less complex entities, as this is becoming more common.

## 5. Accounting Firms

### Crowe Global

Group auditors have the responsibility to support component auditors and the consistent application of standards. During the implementation of ISA 600 (Revised), the IAASB must remind group auditors about their responsibility for the consistent application of standards across the group audit, including supporting those component auditors whose primary experience and audit resources relate to the LCE standard. A case study could be prepared.

### Ernst & Young Global Limited

Based on our experience we have found it necessary to develop specific enablement (e.g., forms and documentation guidance) to help auditors of LCEs. When lower complexity criteria are met, documentation should be able to be streamlined. Refer to Q18 for additional thoughts. Also, guidance would be useful to explain how management involvement in an LCE affects the identification and assessment of risks of material misstatement at the assertion level (both positive and negative effects).

### Grant Thornton International Limited

In addition to the areas highlighted above, where we have indicated that additional support and guidance would be helpful, we believe that additional support and guidance is necessary in the following areas:

The application of qualitative factors to the entity to determine whether it can be audited under ED-ISA for LCE.

Compliance with the requirements in Part 6 of this Proposed Standard, in particular in relation to the IT environment and internal control.

If the Proposed Standard is permitted to be applied to audits of groups, guidance in relation to the implementation of the recently approved ISA for group audits

### Mazars

Support guidance or documentation examples for areas where the auditor has used professional judgement.

Guidance will be need for the following topics especially as a kind of basic methodology. This will help SMPs to build in a consistent and quality approach:

- Materiality
- Risk matrix / audit risk model
- Sampling
- Combined assertions approach

## 6. Public Sector Organizations

### Swedish National Audit Office

A practical example of the knowing the entity and risk assessment process would be beneficial just to see how much you need to do.

## 7. Professional Accountancy and Other Professional Organizations

### ASEAN Federation of Accountants

Our respondents shared the following potential implementation challenges that need to be considered and/or addressed by the Board before finalising the standard:

- a. Potential challenge for larger firms with a mix of LCE and non-LCE clients in managing their “dual” practice. It is critical to maintain consistency in applying judgment to differentiate between the audits. Further complications may be present, in term of building and managing the firms’ capacity to conduct both types of audits.
- b. Where SMPs in general may be looking forward to the standard, larger firms may be indifferent, especially those that have already applied audit programmes that are tailored for LCEs.
- c. Potentially different views and conclusion when applying judgments between predecessor and successor auditors.

### Chamber of Financial Auditors of Romania

Also we express our concerns regarding the extent to which some essential audit areas are covered within the exposure draft and the key areas we refer to are materiality, risk assessment, fraud, sampling and going concern which need further explanatory material and guidance, or supplementary paragraphs included in the standard itself.

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

Response: It is necessary to provide supplements for provisions that are deemed essential, such as those related to materiality, fraud audit, understanding and assessment of internal control, audit sampling, etc., so that the ISA for LCE will become more apparent and more complete.

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

Support guidance or documentation examples for areas where the auditor has used professional judgement.

## **Institute of Chartered Accountants in England and Wales**

We note that further criteria are needed locally, but that IAASB's guidance relating to accounting estimates, in relation to the level of complexity and the extent of uncertainty, needs work.

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

Even though the Authority Guide for the application of the ISA for LCE was developed, the publication of additional materials or guides that include examples of particular and possibly complex situations, to confirm the applicability of the ISA for LCE, is considered relevant and helpful to ensure consistent application of the standard.

Additionally, to facilitate the implementation of the ISA for LCE, it would be convenient to publish guides that include more examples to comply with the Specific Communication Requirements and with the Specific Documentation Requirements, which are included in the sections related to the execution of the work.

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

Following supplementary materials and guides would be helpful.

Separate 'Supplemental Guidance' illustrating in detail how procedures are applied, especially specific examples of risk identification and assessment procedure.

## **Nordic Federation of Public Accountants**

Support guidance or documentation examples for where the auditor has used professional judgment.

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

Qualitative characteristics (as application may be subjective)

Challenging areas noted above

Where components use ED-ISA for LCE. Also refer to our comments in question 26 regarding guidance for group engagements.

## **Specific Questions\Section 4G - Approach to Consultation and Finalization\Question 19 - What support and guidance would be useful when implementing the proposed standard\19(a) Suggestions Provided\c. User acceptance**

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

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

- A summary that is less comprehensive than the mapping documents, for auditors to understand what the key differences are regarding the proposed standard vs the ISAs.

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

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

We believe the IAASB will need to develop guidance to:

increase practitioners' awareness of the applicability of the standard and how it differs from the ISAs; and educate users to mitigate the risk of perception that an audit under ISA for LCE is of lower quality or provides less assurance than an audit under ISAs.

### **5. Accounting Firms**

#### **Baker Tilly International**

Baker Tilly comments: Technically very little is required. The main issue that audited entities and audit firms will need help to understand is whether users will accept a different LCE audit report.

#### **Mazars**

The following materials will be useful (not exhaustive list):

Information material to external stakeholders from the issuer of the standard to emphasize the new standard and implications for the entities subject to audit under ISA for LCE.

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

#### **Association of Practising Accountants**

Response: As noted earlier clearer guidance on the authority of the standard. Clearer notes on the differences between the LCE and the IAS's.

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

As some stakeholders have expressed concerns that ISA for LCEs has the potential to widen the expectation gap with users and others, if they perceive an ISA for LCEs audit to be a “lesser quality” audit or to require reduced work effort with the risk of creating two tiers of auditors.

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.

We believe that there is potential for user confusion and strongly encourage the board to include the need to educate users, preparers and regulators, and for local standard setters to do the same and to undertake activities to do this and to produce materials to support NSS in doing so too.

## Chartered Accountants Ireland

We consider that it will be vitally important that this new standard is communicated to the market in a consistent manner that strongly conveys the message that this standard provides the same assurance for less complex entities as an audit conducted under ISAs. This would be best achieved by general material drafted by the IAASB that can be tailored for local market conditions.

## Federation of Accounting Professions of Thailand

A checklist or a summary of differences of the audit practice and audit requirements between the existing ISAs and the ISAs for LCE would be helpful.

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

Response:

Without priority:

Information material to external stakeholders from the issuer of the standard in order to emphasize the new standard and implications for the entities subject to audit under ISA for LCE.

## Institute of Chartered Accountants of Pakistan

Response:

We believe that the implementation support at both the IAASB level and at local jurisdiction level would be needed for developing understanding and supporting implementation of ISA for LCE.

The implementation support could involve roundtable discussions, webinars and issuance of guidance materials.

Besides auditors, the clients and regulators also need to be engaged in developing an understanding about the use of new auditing standard. In this context the regulatory understanding and support would be of significant importance.

## Nordic Federation of Public Accountants

Without priority:

Information material to external stakeholders from IAASB in order to highlight the existence of the new standard and what an audit according to the standard means for the audited entities.

## South African Institute of Chartered Accountants (2)

Support and guidance would also need to be issued by local Regulators on jurisdictional interpretation and changes made.

**Specific Questions\Section 4G - Approach to Consultation and Finalization\Question 19 - What support and guidance would be useful when implementing the proposed standard\19(a) Suggestions Provided\**  
**d. Transition to and from ISA**

## 3. Regulators and Audit Oversight Authorities

### Independent Regulatory Board for Auditors (IRBA)

- Transitioning to the ISAs when the need is identified.

## 5. Accounting Firms

### Grant Thornton International Limited

Transition into and out of the Proposed Standard, especially if a mid-audit transition still remains possible.

## Mazars

Support for transition from one year to another year.

## 7. Professional Accountancy and Other Professional Organizations

### ASEAN Federation of Accountants

On potential transition between this standard and ISAs, the proposed standard implied more work needed to establish the opening balance. Some of our respondents find this contradictory with the requirement for both standards to provide reasonable assurance.

### Association of International Accountants

Additional training on transitional issues will also be needed and hence the IAASB may need to consider publishing some guidance and/or training materials on how to deal with a transition from mainstream ISAs to proposed ISA for LCEs.

### Association of Practising Accountants

It will also be important to ensure effective guidance on when it is appropriate to use the standard / when an audit client should transition to the existing standards.

### Federation of Accounting Professions of Thailand

Before finalization of the proposed standard, IAASB should provide more guidance for the concern raised in question 13 above regarding the transitioning and changes of the LCE status.

### Institute of Certified Public Accountants in Israel

Response:

We believe that the IAASB should issue a document providing transitional provisions for conducting audits in accordance with ISA for LCE;

### Korean Institute of Certified Public Accountants

Examples illustrating in detail how transition procedures are applied. Example auditor's reports showing comparative information after transition.

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

As we noted above, we find useful to include additional guidance on the transition from the application of this standard to the full set of ISAs and vice versa.

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

Support and guidance regarding:

Transitional arrangements (from ISA to LCE and back), including the audit of opening balances where there has been rotation of auditors.

### South African Institute of Professional Accountants

Response: Implementation guidance to auditors with regards to the applying the authority of the standard and the transitioning of the standard to and from ISA.

## **Specific Questions\Section 4G - Approach to Consultation and Finalization\Question 19 - What support and guidance would be useful when implementing the proposed standard\19(a) Suggestions Provided\e. Multi-media platforms and training**

### 3. Regulators and Audit Oversight Authorities

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

Online workshops and/or guidance videos that cover some of the key concepts and changes/differences between the ISAs and the proposed standard.

### 4. National Auditing Standard Setters

#### Hong Kong Institute of Certified Public Accountants

To support the roll out of the ED, we also suggest the IAASB to enhance communication and education effort so that practitioners, regulators, stakeholders and the public in general would be aware of the ED's objectives, appropriate use, benefits etc.

## 5. Accounting Firms

### ETY sas

Q&A tools on the standard, guides and implementation materials,  
Factsheets,  
Recorded vulgarisation webinars

### MHA Monahans

The standard already has practical guidance, and we would also welcome a continuation of the webinar series that the IAASB has been delivering, focussing on implementation issues.

### PKF International Limited

Response:

In our view, a range of learning webinars similar to the IAASB's recent series of Quality Management webinars would provide useful support. A Frequently Asked Questions document would also be helpful.

### RSM International

Response: The supplemental guidance on Auditor Reporting will be useful for practitioners. In addition to the usual methods of publicising the LCE standard on the IFAC website, we would appreciate webinars prepared by those who drafted the proposed standard to explain the key principles contained in it. These have been used for previous standards and enable attendees to ask questions as they arise.

## 7. Professional Accountancy and Other Professional Organizations

### Association of International Accountants

Need for additional training

Training issues may be a concern of some auditors that may be reluctant to use the proposed standard on the grounds that investment in additional may be needed (such as keeping up to date with current ISA standards and learning the ISA for LCEs standard). This may particularly be the case if the practitioner has not covered the ISA for LCEs standard in their professional qualifications. IAASB may need to consider making available additional resources to auditors on applying the proposed ISA for LCEs, such as through webinars, published written material and conference settings, especially when the standard is issued in its final form.

### Botswana Institute of Chartered Accountants

Response: Webinars on basis for conclusions.

### Chamber of Financial Auditors of Romania

Response:

We recommend a similar approach to the implementation and promotion of ISQMs: webcasts, dedicated website and debates organised in EU (if possible) and major geographical areas (as deemed necessary).

### CPA Australia

Support materials which bring to life the requirements in the standard such as videos or webinars and visual representations of the flow of an LCE engagement and the core requirements in each part of the standard would be most useful. These types of engaging materials are recommended over lengthy written explanations, as they provide higher level concepts in a way as to encourage engagement with the more detailed materials.

### CPA Ireland

We consider that an extensive outreach programme will be required in the form of exploratory webinars, articles highlighting the requirements of the standards and the differences between the proposed standard and the current ISAs.

### European Federation of Accountants and Auditors for SMEs

We also urge the Board and IFAC to look at ways of placing the standard and guidance onto a common digital platform such that users can easily find the relevant requirements and supporting guidance. e-International Standards (eIS) may provide this platform.

We also urge the Board to look at ways of placing the standard and guidance onto a common digital platform such that users can easily find the relevant requirements and supporting guidance.

### Institute of Certified Public Accountants in Israel

we also believe that the IAASB should put in place webinars that will allow auditors to learn the subject in depth. We would also like to ask that such additional documents preparation will not delay the publication of the standard.

## **Institute of Certified Public Accountants of Rwanda**

Response: In addition to the usual support in regard to the implementation of new standards such as webinars, publications etc, IAASB can plan for a tailor-made touch base with PAOs in different jurisdictions to support them in their implementation journey.

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

Response: All mentioned in the guidance such as social media, articles and communiques are good. We also suggest a Common FAQ page and also media where practitioners can ask questions directly and support is available to direct them to the right guidance (related FAQ).

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

Webinars and videos explaining the key aspects of the finalised standard would be useful.

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

Q&A tools on the standard, guides and implementation materials,  
Factsheets,  
Recorded vulgarisation webinars  
Practice statements.

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

Response: Practical training exposing simplifications in relation to the MSB.

## **REA Auditores**

Response:

We believe there will be an urgent need for support and guidance.

As we previously note, the standard, quite rightly, does not include guidance as such. Guidance for the most part is left out of the standards and included in separate non-authoritative documents produced by IFAC, PAOs and others.

We recognize the considerable training and education effort needed for the effective implementation of the standard. We therefore encourage the Board to collaborate with IFAC in developing appropriate support and guidance.

## **Saudi organization for Chartered and Professional Accountants**

In our view, there are some useful approaches which can provide valuable guidance. These approaches could include creating and offering e-learning courses on ISA for LCEs, online audit simulation trainings and developing guidance templates to improve documentation on complex audit areas, like accounting estimates, risk assessment or journal entry testing, etc. (preferably in top 5 languages spoken world-wide). This can be either done by IAASB team or IAASB can encourage others, like private publishers (under supervision of IAASB) or the big 4 audit firms for development of such materials, which will really help educating auditors and improving overall audit quality.

## **8. Academics**

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

Response: In terms of support and guidance, we consider important what has been done to date, such as the exchanges via conferences, surveys, and the addition of the Complementary Guides as academic material.

We consider that continuing with these spaces in the implementation stage would add confidence for an adequate application.

### **Brunel University London**

Provisions are required for training of audit firms on the new requirements of the standard

The initial training, implementation and switch will require higher resources and initial expenditure by audit firms which can be burdensome for smaller practices/firms

Adoption could see a fall in number of SMPs and increase in concentration of accounting firms

Method/standard to allow distinguishing groups on the basis of their complexit

## **Specific Questions\Section 4G - Approach to Consultation and Finalization\Question 19 - What support and guidance would be useful when implementing the proposed standard\19(a) Suggestions Provided\**

### **f. Audit methodology and files samples**

## **5. Accounting Firms**

### **Azets Audit Services**

Linked to the response provided in 3(b), but relevant to additional guidance that would be useful, in the UK we used to have guidance on smaller entity audit documentation in the form of a Practice Note (Practice Note 26 – Guidance on Smaller Entity Documentation). UK methodology providers used this guidance as a point of reference and its very existence helped provide credibility to the creation of less complex entity solutions (for example the Mercia freeform planning approach). When the FRC

withdrew this Practice Note in 2018 without formal consultation, citing that it no longer supported the documentation requirements of a high-quality audit, this acted to stifle methodology provider and firm-level innovation and investment in less complex entity approaches as the way it had been withdrawn, to some extent, undermined their previous investment and solutions.

We consider that ED-ISA for LCE, as noted elsewhere in this response, can provide a catalyst for investment in the LCE audit approach and a foundation for solutions to build upon in our jurisdiction and others like it. Indeed, the ED-ISA for LCE EEM carries several similar useful principles to those seen and used effectively by firms and methodology providers in the Practice Note referenced.

### **Duncan & Toplis Limited**

Response: As many workable examples as possible – this would have to be done both at the international level and local jurisdiction level.

### **PriceWaterhouseCoopers**

Recognising that many smaller practitioners may be reliant on third-party methodology providers, it may be useful for IAASB to work with IFAC to explore what assistance IFAC can provide to support development of software/methodology tools that could support effective implementation.

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

### **Accountancy Europe**

It would be useful if the IAASB provides an example of a sample audit file for an engagement carried out in accordance with the ISA for LCE. That would help visualizing the differences and maybe the increased efficiency created by the application of the proposed standard.

Engaging with software providers and those responsible for developing methodologies within large networks, the IAASB can provide other supporting materials specifically aimed at SMPs.

### **ASSIREVI**

In addition to that set out in our previous responses, we recommend a document be prepared illustrating a practical example of an audit conducted in accordance with the proposed ISA for LCE, using the approach of the Guide to Using International Standards on Auditing in the Audits of Small- and Medium-Sized Entities - Vol. 2 - Practical Guidance issued by the IFAC. It could also be useful to include examples of audit programmes or checklists to be used for audits of LCEs.

In Italy, auditors are subject to specific legal obligations and dedicated auditing standards have been drawn up which would continue to apply after the necessary modifications.

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

Response: It would be useful to get an example of a potential audit file carried out under the ISA for LCE and under the ISAs. That would help visualizing the differences and maybe the increased efficiency created by the application of the audit for LCE.

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

It would be useful if the IAASB provides an example of a sample audit file for an engagement carried out in accordance with the ISA for LCE. That would help visualizing the differences and maybe the increased efficiency created by the application of the proposed standard.

### **CPA Australia**

Some stakeholders have suggested a generic methodology would be of assistance for SMPs as a basis for developing their own methodology specific to their jurisdiction and circumstances.

### **Institute of Certified Public Accountants of Cyprus**

It would be useful if the IAASB provides an example of a sample audit file for an engagement carried out in accordance with the ISA for LCE.

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

Further, it would be useful if a full sample audit file for an SME audit engagement performed with ISA for LCE could be provided, showing all the flow of audit.

## **9. Individuals and Others**

### **Cristian Munarriz**

Also, a sample audit manual showing audit methodology compliant with ISA for LCE may be useful (so it can be adapted in different jurisdictions or firms), as it is something that some jurisdictions, like Australia, have for audits of SMEs under ISAs.

## **Specific Questions\Section 4G - Approach to Consultation and Finalization\Question 19 - What support and guidance would be useful when implementing the proposed standard\19(a) Suggestions Provided\g. Messaging or Communications**

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

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

The development of ISA for LCE is an important milestone for the IAASB. The IAASB together with the national standard setters need to send a strong message to stakeholders including practitioners, regulators and users of financial statements that an audit conducted under ISA for LCE is a high quality audit to instill confidence and trust.

### **5. Accounting Firms**

#### **Price Bailey LLP**

Response: Communication with stakeholders, making it clear this is not about reducing work or quality but about having a standard which is tailored towards less complex entities.

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

#### **Association of Practising Accountants**

Response: Communication with stakeholders, making it clear this is not about reducing work or quality but about having a standard which is tailored towards less complex entities will be important.

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

Response:

We do not believe there are any other matters that the IAASB should consider in terms of the form and content of the proposed standard.

However, as we mention above, we believe there to be a significant challenge in promoting and positioning the standard to the market.

It is vital that the communications by the IAASB, professional accountancy organizations (PAOs), regulators, accounting firms and other on and around the new standard consistently and robustly stress that use of this standard results in an audit of equivalent quality to an audit performed using the ISAs. Every effort needs to be taken to avoid giving the impression that the standard is less rigorous than the ISAs, rather it is a standard tailored to fit different types of entity.

#### **Institute of Chartered Accountants in England and Wales**

Despite the lack of critical distinction between the proposed standard and the extant ISAs, we re-iterate the unprecedented level of support for this standard expressed by users of financial information produced by LCEs noted elsewhere in this response. We acknowledge regulatory concerns and believe that IAASB must do more to address these by engaging with regulators to persuade them of the public interest in issuing this standard, and the risks associated with not doing so.

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

As noted earlier in this letter, we believe that messaging around the perceived value and benefits of using this standard will be critical, as well as ensuring there is additional non-authoritative implementation guidance provided closer to the effective date of this new standard.

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

It is vital that the communications by the IAASB, professional accountancy organizations (PAOs), regulators, accounting firms and other on and around the new standard consistently and robustly stress that use of this standard results in an audit of equivalent quality to an audit performed using the ISAs. Every effort needs to be taken to avoid giving the impression that the standard is less rigorous than the ISAs, rather it is a standard tailored to fit different types of entity.

## **Specific Questions\Section 4G - Approach to Consultation and Finalization\Question 19 - What support and guidance would be useful when implementing the proposed standard\19(a) Suggestions Provided\h. Other**

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

#### **Malaysian Institute of Accountants**

Response: There should be a continuous feedback process allowed from stakeholders and practitioners to gather the status of implementation and also the practical challenges arising from the application of the proposed standard.

## 5. Accounting Firms

### Azets Audit Services

The direction of travel is positive regarding the development of Supplemental Guidance alongside the ED-ISA for LCE and we commend the IAASB for its approach to drafting practical guidance alongside development of this standard.

LCEs in the UK are often audited by auditors that provide audit services as only part of their day-to-day role for a portfolio of clients that can be principally non-complex. This “part-time auditor” consideration is relevant insofar as it heightens the importance of providing clear requirements and practical guidance that is easily digestible. Guidance produced should be drafted with these individuals in mind as they have significant experience of dealing with LCEs and an inability for them to make an appropriate and proportionate return on their investment in quality will harm choice and competition in this stratum of the audit market in the longer term.

### KPMG IFRG Limited

Please refer to our responses to other questions in which we recommend development of guidance regarding specific challenges/ areas of concern.

### Price Bailey LLP

Response: As noted earlier clearer guidance on the authority of the standard. Further guidance may be required on certain areas within the standard once.

## 7. Professional Accountancy and Other Professional Organizations

### Association of International Accountants

Parallel running of two sets of ISAs

Running two sets of standards, i.e. mainstream ISAs and ISA for LCEs, may run the risk of auditors becoming confused between the two requirements. While a clear understanding of both standards is critical in conducting an audit under the relevant standard, there is the risk that audits carried out under the mainstream ISAs may suffer in terms of audit quality if audit firms incorrectly presume the two frameworks are consistent. This can be linked into the training considerations mentioned above.

### Institute of Chartered Accountants in England and Wales

IAASB should consider very carefully calls for further EEM, and include it only where there is consensus. Further criteria need be developed locally, wherever possible.

### Malaysian Institute of Certified Public Accountants

Comment:

Please refer to our responses in Question 3(c). In addition, a continuous feedback process from the engagement of stakeholders and practitioners on the practical implementation challenges and other barriers which may discourage the use of this standard will be helpful.

## **Specific Questions\Section 4G - Approach to Consultation and Finalization\Question 19 - What support and guidance would be useful when implementing the proposed standard\19(b) No Further Suggestions Provided**

## 3. Regulators and Audit Oversight Authorities

### Botswana Accountancy Oversight Authority

In our view, no further guidance is needed.

### Finance Professions Supervisory Centre Indonesia

Supplemental guidance and glossary of terms would be useful when implementing the proposed standard. Supplemental guidance provides additional information that may be of assistance when adopting and implementing the IAASB’s proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE). It has been developed to further explain matters and circumstances that may be relevant in determining the use of the ISA for LCE. Glossary of terms assist in the consistent application and interpretation of the ISA for LCE. The IAASB can add illustrative examples for auditing of Financial Statements of Less Complex Entities and explanation of the IAASB’s basis for conclusions with respect to comments received on significant and other matters relating to the ISA for LCE, if needed. The illustrative examples provide clearer examples to auditors how to audit of Financial Statements of Less Complex Entities.

## 4. National Auditing Standard Setters

### Australian Auditing and Assurance Standards Board

No further comment

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

At the IDW, we are in a position to provide the support and guidance needed for our practitioners to implement the proposed standard. In our view, the current non-authoritative guidance in the authority and reporting (amended and augmented as we suggest in our responses above) should suffice at an international level.

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

The NZAuASB does not have any further comments other than those described in this submission.

## **5. Accounting Firms**

### **BDO International**

Response: We have nothing new to suggest here.

## **6. Public Sector Organizations**

### **Auditor-General of New Zealand**

Other than the Authority Supplemental Guide and the Reporting Supplemental Guide, we have not identified the need for support and guidance when implementing the proposed standard. In keeping with normal practice, it would be appropriate for the IAASB to carry out a post-implementation review of the proposed standard. Such a review might identify areas where additional guidance is necessary.

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

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

Response:

Nothing additional to add at this point.

### **Institute of Singapore Chartered Accountants**

comments to certain specific questions

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

No further suggestion.

### **Malta Institute of Accountants**

Response: No further comments.

### **Wirtschaftsprüferkammer (WPK)**

No comments.

## **8. Academics**

### **Accounting and Finance Association of Australia and New Zealand**

We elaborate on these points below.

## **9. Individuals and Others**

### **Vera Massarygina**

Response: No comments.