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International Auditing and Assurance Standards Board  
New York, NY

Dear IAASB,

Our response to *Exposure Draft: Proposed Part 10, Audits of Group Financial Statements of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)* is below:

1. In the Authority, do you agree with the proposed prohibition on the use of the proposed ISA for LCE for group audits where component auditors are involved, other than in limited circumstances where physical presence is required?

We do not agree with the proposed prohibition, specifically A.1 (d) (ii), on the use of ISA for LCE for group audits where component auditors are involved. The use of component auditors in itself does not make a complex audit. The factor of using a component auditor should not be the single and deciding factor that prohibits the use of ISA for LCE. Auditors should be provided the ability to use professional judgement to determine if a group audit is a ISA for LCE or if ISA for More Complex Entities is required. In the public sector there are multiple examples of when a component auditor is used due to location constraints and not due to complexity. It is not uncommon for public sector entities, primarily those entities that are less complex, to not have centralized data or information, and records may be stored in multiple locations. Public sector auditors may use a local auditor for efficiency purposes to complete standard procedures on data/records at specific locations. Although this example is on a less-complex entity, the proposed ISA for LCE would prohibit the ISA for LCE in this situation.

In our view, the key purpose of ISA for LCE is to respond to efficiency considerations (more precisely, inefficiency concerns with ISAs for More Complex Entities), and therefore efficiency considerations need to be given considerably more weight in evaluating ISA for LCE issues.

2. In the Authority, do you agree with the proposed group-specific qualitative characteristics to describe the scope of group audits for which the proposed ISA for LCE is designed to be used?

We agree that “Group structure and activities,” “Access to information or people” and “Consolidation process” are important qualitative characteristics to be considered when determining to use ISA for LCE or ISA for More Complex Entities.

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<sup>1</sup> The views expressed herein do not necessarily reflect the views of the Office of the Auditor General of Alberta.

3. Do you agree with the content of proposed Part 10 and related conforming amendment?

As noted in the Section 1 of the July 2021 Exposure Draft of Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ED-ISA for LCE), *“It is estimated that more than 90% of entities across the world are small and medium-sized entities...”* We have significant concerns that ED-ISA for LCE and ED-Proposed Part 10 will not be applicable for the majority of these entities due to the prohibitions placed on when ISA for LCE applies and the breadth of requirements. In our view, ISA for LCE should have significantly less breadth than ISA for More Complex Entities, yet still provide a reasonable level of assurance. The exposure drafts appear to have maintained most of the ISA requirements and therefore the risk of ISA for LCE not achieving efficiencies and not being adopted appears high. One method to lower this risk is to use a complete principles-based standard for ISA for LCE versus a rules-based standard (“shall”). Using such an approach would permit the auditor to select which procedures are required to meet an objective in comparison with all procedures being required. We are not suggesting the IAASB remove all the “shalls” for ISA for LCE, but review the requirements and consider when “should” or “considers” may be applicable for individual ISA for LCE’s. This approach would have some similarities to ISAE 3000 or ISSA 5000 as currently being drafted, particularly Work Already Performed by Another Practitioner (per 20230320 Agenda Item 4-B Proposed ISSA 5000, paragraph 28).

Thank you for the opportunity to comment.

Sincerely,

Colin Semotiuk  
Wayne Morgan