

International Auditing and Assurance Standards Board
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Comments to IAASB from the ***Ammattilintarkastajat¹ – Yrkesrevisorer ry*** considering the exposure draft version for Less Complex Entities (version January 2021):

Along the more and more used of ISA-standards as a basis for quality control of auditing the control process has gradually approached more and more comparing the working papers of an auditor with the details of the standards. This development is leading to a limited understanding of auditing as a profession especially when it takes place with very qualified audit practitioners. Of course, auditors have to observe certain generally accepted auditing principles and procedures to achieve an acceptable result. In performing an audit there often appears, however, an unpredictable amount of various situations for the solutions of which there is impossible to give detailed instructions. Therefore a lot of professional judgement is needed.

The guiding norms that rule the auditing of less complex entities should be based on the national legislations and the content of the norms should contain only a limited amount of obligatory detailed instructions. The auditors can for themselves as guidelines prepare various detailed check lists for the audits when needed.

The draft LCE-standard ("International Standard on Auditing for Audits of Financial Statements of Less Complex" i.e. ED-ISA for LCE) includes in our understanding too many detailed regulations² to the audits to be performed and therefore the ED-ISA for LCE shall not much differ from the original ISA-standards and therefore it is not really a lightening or improvement at all. In addition the ED-ISA for LCE does not include requirements to the

¹ Ammattilintarkastajat – Yrkesrevisorer r.y. (Unofficial translation of the name is "The Association of the Authorised Public Practicing Accountants") is nonprofit association founded in 1970. It is organization which is a link between the accountants and takes part to the discussions between the practitioners. It also maintains and develops the good auditing practice. The association has members (in three Authorised Public Accountant categories in Finland, KHT- JHT and HT-auditors) from all parts of the Finland. The association also organizes training and seminars to its members.

² For example compared to the standard proposal (Standard for Audits of Small Entities) made by the NRF (the Nordic Federation of Public Accountants) in 2015.

auditing of the Small Group Consolidated Audits at all and therefore all those Small Group Audits should be then performed by using full scale ISA-standards.

It should also be observed that Finland belongs to European Union. According to Chapter 3 Section 3 of Finnish Auditing Act “In addition to the provisions laid down in this Act and any statutes issued by virtue thereof, anyone acting in a duty referred to in Chapter 1, section 1(1)(1) shall comply with the auditing standards adopted for application in the European Union (international auditing standards), which are referred to in Article 26 of Directive 2006/43/EY of the European Parliament and of the Council on statutory audits of annual accounts and consolidated accounts, amending Council Directives 78/660/EEC and 83/349/EEC and repealing Council Directive 84/253/EEC.”

European Union has not yet adopted any ISA-Standard for application, and as it seems, it never will do it. ISA-standards are, however, considered one guide to observe good auditing practice in carrying out the duties of an auditor, although they are not obligatory. It is to be seen if European Union shall adopt this ED-ISA for LCE?

About 96 % of the audits occurred in Finland are so called ”Small Company Audits” or audits of comparable entities less complex by either structure or operation. When those entities are audited performing the full scale ISA-standards in audit, it is a problem. However those simple entities, except some foreign Group Subsidiary Entities, have no obligation to be audited by using the full scale ISA-standards which is the same matter that is considering the PIE-entities (Public Interest Entity).

On the basis what we have said above, our opinion is that, instead of future development of this ED-ISA for LCE standard, we prefer developing national SME standards, which are based on the fundamental concepts and general principles of ISA-standards (independence, sufficient appropriate audit evidence, professional skepticism and professional judgement) none of those norms being in contradiction with ISA-standards. One opportunity in Finland for this matter could be the future development of the audit guidelines published by this association in 2019 “Hyvä tilintarkastustapa Suomessa erityisesti pienehkön yhteisön ja säätiön tilintarkastuksessa”. (The publication is only available in Finnish language and the translation for the name could be “The good auditing practice in Finland especially for Small Entities and Foundations).

Helsinki January 31, 2022

Ammattitilintarkastajat – Yrkesrevisorer r.y.

Timo Virkilä

A handwritten signature in blue ink, appearing to read 'Timo Virkilä', is written over a light blue rectangular background.

Chairman of the Board