

Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs

LESS COMPLEX ENTITIES

Questions	Answers
<p>1. We are looking for views about how LCEs could be described (see page 4). In your view, is the description appropriate for the types of entities that would be the focus of our work in relation to audits of LCEs, and are there any other characteristics that should be included?</p>	<p>In our opinion The definition is incomplete because it is more oriented to small and medium enterprises.</p> <p>It does not define the concept of complexity which is composed of diverse elements.</p> <p>As points to add are proposed:</p> <ul style="list-style-type: none"> -Level levels concentrated in the owner or entrepreneur, or group of person -There are risks associated with this condition. -There are no complex operations from the point of view of accounting measurement. -No transactions subject to complex technological solutions
<p>2. Section II describes challenges related to audits of LCEs, including those challenges that are within the scope of our work in relation to audits of LCEs. In relation to the challenges that we are looking to address:</p> <p>a. What are the particular aspects of the ISAs that are difficult to apply? It would be most helpful if your answer includes references to the specific ISAs and the particular requirements in these ISAs that are most problematic in an</p>	<p>2.One of the problems that can be observed in the design and consequent drafting of the international auditing standards is that many aspects that are specific to the subject in question are included within the normative part and are or should have been included in the accountant's university training .</p> <p>We suggest that the norm for less complex entities:</p> <p>to. must be written based on defined principles and objectives and</p>

<p style="text-align: center;">audit of an LCE.</p>	<p style="text-align: center;">not casuistry,</p> <p style="text-align: center;">b. from a design for this type of entity</p> <p style="text-align: center;">c. changing the current way of starting from the most complex entity and then trying to adapt it to the less complex entity with the addition of a few paragraphs</p> <p style="text-align: center;">d. created and designed by people who have practical experience in performing audits of less complex entities, and</p> <p style="text-align: center;">and.</p> <p style="text-align: center;">It starts from the premise of the quality of previous knowledge that is required for an audit and the need for continuous training and write it considering that an accountant already has the necessary knowledge to perform the task.</p>
<p>2. Section II describes challenges related to audits of LCEs, including those challenges that are within the scope of our work in relation to audits of LCEs. In relation to the challenges that we are looking to address:</p> <p style="padding-left: 40px;">b. In relation to 2a above, what, in your view, is the underlying cause(s) of these challenges and how have you managed or addressed these challenges? Are there any other broad challenges that have not been identified that should be considered as we progress our work on audits of LCEs?</p>	<p>2. Based on what is described in answer 2.a above, the challenges for drafting standards for less complex entities should include:</p> <ol style="list-style-type: none"> 1. Clear and concise rules based on principles and objectives. 2. They should not have large volume. 3. Assume the quality of the previous knowledge required to carry out an audit. 4. Documentation requirements must not be extensive or burdensome. 5. No unnecessary procedures should be required.

<p>3. With regard to the factors driving challenges that are not within our control, or have been scoped out of our exploratory information gathering activities (as set out in Section II), if the IAASB were to focus on encouraging others to act, where should this focus be, and why?</p>	<p>3. We list below those challenges identified in the discussion paper on which we believe that the IAASB should encourage IFAC Member Organizations to act:</p> <ul style="list-style-type: none"> a. Legal Requirements and Other Requirements for an Audit b. Education and People c. Improved accessibility of ISAs d. Value of an Audit
<p>4. To be able to develop an appropriate way forward, it is important that we understand our stakeholders' views about each of the possible actions. In relation to the potential possible actions that may be undertaken as set out in Section III:</p> <ul style="list-style-type: none"> a. For each of the possible actions (either individually or in combination): <ul style="list-style-type: none"> i. Would the possible action appropriately address the challenges that have been identified? ii. What could the implications or consequences be if the possible action(s) is undertaken? This may include if, in your view, it would not be appropriate to pursue a particular possible action, and why. 	<p style="text-align: center;">A. Review of the ISAs</p> <p>We understand that an adequate comprehensive review of ISAs could address the challenges identified in terms of audits of financial statements of LCEs. For this purpose to be achieved, the NIA set should establish the basic requirements of any audit, whether to examine the financial statements of a low complexity entity such as those of a more complex entity.</p> <p>Another advantage of this approach would be to allow the same set of basic rules to be applied in cases where an entity is expanding and presenting situations of greater complexity that the auditor of its financial statements should consider. But this solution would surely take years, as the "Clarity" project has taken, and the profession needs a faster solution.</p> <p style="text-align: center;">B. Development of a separate audit standard for audits of LCEs.</p> <p>The advantage of this option is that a new set of rules specifically applicable for LCEs would be drafted, which would consider their particular needs and expectations. In many cases, the paragraphs presented by some ISAs for applying certain standards to small entities ("Considerations Specific to Smaller Entities") are neither adequate nor sufficient to achieve the purpose they pursue.</p>

	<p>Having a separate set of standards for audits of LCEs would overcome this limitation.</p> <p>It will be necessary to carry out an adequate dissemination task so that the audits carried out with NIAs and with separate standards for LCEs are not perceived by the users as two different orders, when both would pursue the same purpose: provide reasonable security on the audited financial information.</p> <p>C. Development of Guide for Auditors of LCEs or other related actions.</p> <p>We believe that the development of guidelines is essential but not sufficient in itself to address the issue of LCE audits.</p> <p>Of the three alternatives, action B seems more appropriate. We suggest that the new standard has its own wording, with a specific focus on the LCEs, and is not merely a summary of the ISAs.</p> <p>In our opinion, the new standard should be independent of the ISAs and, if there are untreated issues, for its solution the professional auditor can consult sources of recognized hierarchy that in his opinion are appropriate, but without the full ISAs being considered a set of additional rules that the professional auditor should consult in a mandatory way.</p>
<p>4. To be able to develop an appropriate way forward, it is important that we understand our stakeholders' views about each of the possible actions. In relation to the potential possible actions that may be undertaken as set out in</p>	<p>4. Whatever the path chosen IFAC must undertake training courses under the train of trainers modality for LCE auditing professionals.</p>

<p style="text-align: center;">Section III:</p> <p>b. Are there any other possible actions that have not been identified that should be considered as we progress our work on audits of LCEs?</p>	
<p>4. To be able to develop an appropriate way forward, it is important that we understand our stakeholders' views about each of the possible actions. In relation to the potential possible actions that may be undertaken as set out in Section III:</p> <p>c. In your view, what possible actions should be pursued by us as a priority, and why? This may include one or more of the possible actions, or aspects of those actions, set out in Section III, or noted in response to 4b above.</p>	<p>4. In our country all companies, regardless of their size or whether they are public or private, must keep accounting records and issue financial statements.</p> <p>We consider it a priority to start developing a rule based on principles that is determined and specifically realized by understanding the needs of the auditor in an LCE entity, but accompanying the requirements of the ISAs.</p> <p>We suggest reviewing the application guide to make it simpler and containing working paper models for the audit of LCE entities.</p>
<p>5. Are there any other matters that should be considered by us as we deliberate on the way forward in relation to audits of LCEs?</p>	<p>5. We consider that related to the audit of LCE the issues that we can detect are raised.</p>