



Audits of Less Complex Entities

Another crossroads for the revisoría fiscal?

Por: SAMantilla
06-05-2019

The IAASB has just published the Discussion Paper, [*Audits of Less Complex Entities. Exploring Possible Options to Address the Challenges in Applying the ISAs.*](#)

It is a 24-page document from which comments will be received until September 12, 2019.

The original was published in English, although it is officially announced that French and Spanish translations will be available by mid-May. It does not clarify if they will receive comments in Spanish, which would be very important, bearing in mind that IAASB has always rejected the comments in Spanish (at least mine), arguing that it does not have the capacity to read in Spanish.

The official presentation states that:

“The IAASB seeks to further understand the challenges of using ISAs in audits of less complex entities— and views about possible actions to address these challenges. It recognizes the global call for action to address issues of complexity, length, understandability, scalability, and proportionality related to using the International Standards on Auditing. Continuing the debate on these strategic issues, this Discussion Paper explores how the IAASB, and others, could further support auditors working in increasingly evolving environments”

<https://samantilla1.net/>

LinkedIn: Samuel Alberto Mantilla B.

<https://www.samantilla1.com/>

Twitter: @SAMantilla1

It revolves around the following question:

“What do we mean by a “less complex entity” (LCE) and why do we use this term rather than “small- and medium-sized entity” (SME)?”

The idea of focusing on complexity, rather than on size, is interesting. Although very likely the SMEs will perceive that their particular needs are not taken into account. Some will say that all SMEs are less complex entities, although not all will agree with it.

There is concern that the analysis is more focused on the needs of the IAASB and not those of the EMC (or of the SMEs).

Related to: (1) the evolving world and the effect on the ISAs; and (2) the challenges related to the application of ISAs in EMC audits, is taken from the common rhetoric that IAASB uses for all topics (cf. professional skepticism), but it contributes very little specifically to the EMC audit (or of the SMEs).

That is why it has no connection with the possible actions to be explored:

- A. Revising the ISAs.
- B. Developing a Separate Auditing Standard for Audits of LCEs.
- C. Developing Guidance for Auditors of LCEs or Other Related Actions

These possible actions are the usual solutions for all problems. Complete absence of creativity.

In relation to the questions for respondents, three things can be highlighted:

1. Stakeholders may choose to answer all, or only some, of the questions below—all input is helpful to our future considerations).
2. Although it is only 5 questions, they all have many complexities whose solution includes responding in a specific way to all the points of the document for discussion.
3. The only thing that is clear from this questionnaire is that IAASB has the purpose of developing the audit of the EMC, but that to date the work is hardly exploratory. Question 3 identifies it as "exploratory information gathering activities."

Among the examples, the guide to implement ISAs in SMEs stands out, but in reality it does not offer concrete data on how the implementation of ISAs in SMEs is occurring. According to my understanding, this would be a better starting point given that the one used (the evolving world and the effect on the ISAs, and challenges related to applying the ISAs in EMC audits) are very theoretical and equal to those clichés that are currently used to justify everything and not say anything.

<https://samantilla1.net/>

LinkedIn: Samuel Alberto Mantilla B.

<https://www.samantilla1.com/>

Twitter: @SAMantilla1

It would be interesting for IAASB to make an in-depth analysis of the IASB's experience in relation to the IFRS for SMEs and, particularly, the fair value where simplification leads to a ['disadvantaged' application for SMEs](#).

In Colombia the analysis of these things is much more complex, given that the fiscal review has a nature of a general nature, legally equal for all entities. Even in spite of the levels that decree 0302 introduced in relation to the ISA.

It would be good to have a transparent analysis. Different to the various proposals that have been submitted on revisoría fiscal (including that of Mincomercio), but of which neither the answers received nor the subsequent developments are known.

What will the CTCP and its multiple assurance and related committees say about these things?

The style of updating the normative frameworks so that they remain outdated is an unsuccessful style and little help to these things.

Until there is no clarity about these things, the audit of less complex entities will be a further crossroads for the revisoría fiscal.