



THE INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
(Established by Act of Parliament No. 15 of 1965)

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Registrar/Chief Executive

JOHN I. EVBODAGHE, MBA, FCA

20 August 2019

ICAN/ED/R&T/AUG/2019

The Technical Director
IAASB
529 Fifth Avenue, New York,
NY 10017
USA

Dear Sir,

**RE: COMMENTS ON DISCUSSION PAPER: AUDIT OF LESS COMPLEX ENTITIES:
EXPLORING POSSIBLE OPTIONS TO ADDRESS THE CHALLENGES IN APPLYING
THE ISAs**

The Institute of Chartered Accountants of Nigeria (ICAN) has considered the above requests for comments on the Discussion Paper. Our detailed response is as follows:

Response to Question 1:

The descriptions provided for the types of entities that will be the focus of audit of LCEs are appropriate. However, we recommend the inclusion of the following characteristics in the description of LCEs:

1. Low-to-Medium Risk (Common/Global set of factors in defining risk could be provided, example, entities owned by politically exposed persons)
2. Minimal regulatory requirements
3. Owner-Financed Entities

Response to Question 2:

- a. We have identified certain ISA topics we believe the Board will need to provide further clarifications to help simplify the audits of LCEs. The referenced ISA topics and the specific requirements of those topics are summarised below:

i. **ISA 570- Going Concern Determination, Par. A13**

The Board should consider additional criteria that Auditors of LCEs can apply in evaluating management assessment of the LCE's ability to continue as a going concern.

ii. **ISA 540- Auditing Accounting Estimates, Par. A128**

Additional guidance should be provided to the following:

- ✓ evaluation of management bias; and
- ✓ examples of point and range estimates to challenge the reasonableness of estimates made by management.

b. **We believe that the basis for conclusion for each of the ISA topics should be provided to assist the practitioners.**

Question 3: Other driving factors outside the control of the Board that the Board should focus on to encourage others to Act include:

Audit Fee: The Board should encourage professional accountancy bodies to develop, review and enforce approved scales for professional services for LCEs that reflects the cost-benefit realities of performing the required audit procedures.

Technology: We recommend that the Board should encourage the development of Cloud-based Audit Software that will help with application of ISAs in an Audit of LCE.

Question 4:

In view of the likely misunderstanding that may arise from having different sets of auditing standards for audits of LCEs for the same audit firm auditing LCEs and other entities not classified as LCEs, we recommend that the Board should:

- ✓ Consider revising the ISAs;
- ✓ Developing guidance for Auditors of LCEs ; and
- ✓ Publish Basis for Conclusions to accompany each of the auditing standards.

In our opinion, the Board is advised to prioritize revision of ISAs as the first together with the accompanying BCs. Thereafter, the Board should then develop guidance for Auditors of LCEs based on the revised Standards



Question 5

The Board should also conduct further research work on the application of data analytics in executing audits of both LCEs and Non-LCEs.

Yours faithfully,

for: Registrar/Chief Executive



Ben Ukaegbu, PhD, ACA
Deputy Registrar, Technical Services

