



**Mr. Thomas Seidenstein,
IAASB Chair,
International Auditing and Assurance Standards Board,
529 5th Avenue,
New York,
NY 10017
USA**

Submitted by email

31st January 2022

Dear Mr. Seidenstein,

CPA Ireland's Response to the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)

CPA Ireland warmly welcomes the opportunity to respond to this important consultation. CPA Ireland has long advocated for proportionality and scalability in the standards used by the profession.

In Ireland, the Irish Auditing and Accounting Supervisory Authority's publication *Profile of the Profession for 2020*, reflects an audit profession dominated by SMPs. The report shows that at 31st December 2020, 98% of audit firms in Ireland had five partners or less (59% being sole practitioners), and 99% of audit firms had no Public Interest Entity audit engagements. Typically, such SMP firms have LCE audit clients.

CPA Ireland's outreach programme with its membership during this consultation, identified a need for a set of high-quality standards tailored for the audits of LCEs. Audit firms have consistently advised us that the sheer length of some of the current ISAs and the increasingly complex language and terminology used throughout make them difficult to apply to an LCE.

CPA Ireland considers that the development of a global solution is in the public interest to secure consistency of approach to the audit of an LCE.

We have set out below our response.

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Response to Consultation

Section 4A – Overarching Positioning of ED-ISA for LCE

1. Views are sought on:

(a) The standalone nature of the proposed standard, including detailing any areas of concern in applying the proposed standard, or possible obstacles that may impair this approach?

CPA Ireland supports the standalone nature of the proposed standard and considers that it will benefit the auditors of LCEs, enabling them to consult one standard rather than multiple standards when conducting the audit of an LCE.

(b) The title of the proposed standard.

The terminology “Less Complex Entity” is not terminology that auditors or their clients would have an immediate recognition or acceptance of. It may be useful if the final terminology to be used could be agreed upon at national level. For example, from an Irish context it may be appropriate that certain entities for whom definitions are already available within current legislation would be appropriate.

(c) Any other matters related to ED-ISA for LCE as discussed in this section (Section 4A).

CPA Ireland supports the level of assurance proposed by the standard and considers that this high level of assurance is essential so that the users of the financial statements have an understanding and an acceptance of the reasonable assurance opinion being provided.

2. Do you agree with the proposed conforming amendments to the IAASB Preface (see paragraphs 39-40)? If not, why not, and what further changes may be needed?

CPA Ireland agrees with the conforming amendments to the IAASB Preface and has no further changes to recommend.

Section 4B – Authority of the Standard

3. Views are sought on the Authority (or scope) of ED-ISA for LCE

In particular:

(a) Is the Authority as presented implementable? If not, why not?

CPA Ireland agrees that the scope of the standard should provide for specific prohibitions and that those provided for are appropriate with the exception of group audits. It is considered that there may be instances where a group would be “less complex” and the use of the ISA for LCE may be appropriate.

It is considered that it may be appropriate to reflect prohibitions within law at a national level to provide for consistency of application and approach.

The absence of such jurisdictional prohibitions may result in challenges for regulators in the enforcement of use of the standards.

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CPA Ireland considers that the limitation of the standard's use through qualitative characteristics may prove to be challenging. It is considered that the judgement requirement may prove difficult for firms and their regulators to assess. Similar challenges may also arise for the users of the financial statements, particularly where the characteristics assessed may not be straightforward.

(b) Are there unintended consequences that could arise that the IAASB has not yet considered?

We consider that careful consideration will be required at a jurisdictional level to determine the scope of the standard. It is at this point in the national approval process that it will be essential that due process is afforded to ensure that there are no local unintended consequences, such as the application of the standard to a particular entity that would not be appropriate or for the reverse to happen.

(c) Are there specific areas within the Authority that are not clear?

We have not identified any specific areas that are not clear.

(d) Will the Authority, as set out, achieve the intended objective of appropriately informing stakeholders about the scoping of the proposed standard?

It is considered that the informing of stakeholders will be essential at a jurisdictional level. It is considered that there will be extensive outreach and educational programmes necessary with relevant stakeholders.

(e) Is the proposed role of legislative or regulatory authorities or relevant local bodies with standard setting authority in individual jurisdictions clear and appropriate?

We believe that the proposed role of legislative and regulatory authorities could be enhanced and given more focus and clarity.

4. Do you agree with the proposed limitations relating to the use of ED-ISA for LCE? If not, why and what changes (clarifications, additions or other amendments) need to be made? Please distinguish your response between the:

(a) Specific prohibitions.

We consider that the prohibition on the use of the standard for Group Audits is inappropriate. We consider that there would be instances where the use of the standard for some less complex group audits would be appropriate, particularly for those group audits where a component auditor is not necessary.

It may be appropriate to provide requirements in this regard at a jurisdictional level.

(b) Qualitative characteristics.

In determining appropriate qualitative characteristics at individual engagement level CPA Ireland considers that this will be challenging for auditors to navigate the current approach, particularly in "borderline" cases. It would be useful to have some application material in this regard.



Also, the assessment of the application of qualitative characteristics and their permitted use may be challenging for regulatory authorities.

5. Regarding the Authority Supplemental Guide:

(a) Is the guide helpful in understanding the Authority? If not, why not?

CPA Ireland considers that the supplemental guide is useful.

(b) Are there other matters that should be included in the guide?

We have not identified further matters at this time that should be included in the guide.

6. Are there any other matters related to the Authority that the IAASB should consider as it progresses ED-ISA for LCE to finalization?

CPA Ireland considers that outreach with key stakeholders such as national regulatory authorities, professional bodies etc will be essential to gain local and global acceptance of the proposed standard.

Section 4C – Key Principles Used in Developing ED-ISA for LCE

7. Views are sought on the key principles used in developing ED-ISA for LCE as set out in this Section 4C.

Please structure your response as follows:

(a) The approach to how the ISA requirements have been incorporated in the proposed standard

CPA Ireland supports the approach to how the ISA requirements have been incorporated.

(b) The approach to the objectives of each Part of the proposed standard

CPA Ireland supports the approach to the objectives of each Part of the proposed standard.

(c) The principles in relation to professional scepticism and professional judgement, relevant ethical requirements and quality management (see paragraphs 81-84)

CPA considers that it is essential to retain the principles in relation to professional skepticism and professional judgement, relevant ethical requirements, and quality management.

(d) The approach to EEM (see paragraphs 85–91) including:

(i) The content of the EEM, including whether it serves the purpose for which it is intended.

CPA Ireland supports the inclusion of EEM and also supports the positioning of the EEM within the relevant section of the standard rather than at the end of the standard. It is agreed that this improves the flow of the standard.

(ii) The sufficiency of EEM.

It is considered that there is sufficient EEM

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(iii) The way the EEM has been presented within the proposed standard.

CPA Ireland is supportive of the presentation of the EEM.

Section 4D – Overall Design and Structure of ED-ISA for LCE

8. Please provide your views on the overall design and structure of ED-ISA for LCE., including where relevant, on the application of the drafting principles

CPA Ireland supports the approach to the overall design and structure of the LCE. In particular, we consider that the proposed grouping of key stages of the audit together, reflecting the flow of the audit process, to be beneficial and consider that it will enhance the navigation of the standard.

Section 4E – Content of ED-ISA for LCE

9. Please provide your views on the content of each of Parts 1 through 8 of ED-ISA for LCE, including the completeness of each part.

CPA Ireland appreciates the difficulty in maintaining the robustness of the requirements of the ISAs with the task to simplify the process for the audit of LCEs, whilst also delivering a “reasonable assurance” opinion.

That said, we believe that there are opportunities to further reduce and scale back the requirements of the ISAs for this proposed standard. We do not believe that as yet adequate efficiencies have been identified that will appeal sufficiently to firms, their clients and stakeholders.

In particular, we refer to the “Planning” and “Risk Identification” sections of the proposed standard and consider that there is scope to simplify the requirements further.

10. For Part 9, do you agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements?

We agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements.

11. With regard to the Reporting Supplemental Guide:

(a) Is the support material helpful, and if not, why not?

We consider the support material to be helpful.

(b) Are there any other matters that should be included in relation to reporting?

We consider the support material to be helpful and have not identified any further matters.



12. Are there any areas within Parts 1–9 of the proposed standard where, in your view, the standard can be improved? If so, provide your reasons and describe any such improvements. It will be helpful if you clearly indicate the specific Part(s) which your comments relate to.

No further matters have been identified.

Section 4F – Other Matters

13. Please provide your views on transitioning:

(a) Are there any aspects of the proposed standard, further to what has been described above, that may create challenges for transitioning to the ISAs?

It is considered that the transition to the proposed standard will be a challenge for many firms. In particular, it will be necessary for firms to review their internal quality control procedures, methodologies, working papers, IT systems and resources and update these as necessary.

The upskilling of audit staff will also present as a challenge.

The education of clients will also be a necessary consideration for firms.

(b) What support materials would assist in addressing these challenges?

It is considered that the auditors of LCEs will require training and support during the transition period, including supporting workshops, webinars, and articles. CPA Ireland will be happy to develop such supports for its members.

Information and supports should also be available to a wider audience including LCEs and their stakeholders to support the acceptance of the standard.

14. Do you agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance?

CPA Ireland considers that it may be appropriate to review the standard every two years to incorporate any changes to the underlying ISAs. This is to allow for periods of stability in the standard and the methodologies that firms are using.

15. For any subsequent revisions to the standard once effective, should early adoption be allowed? If not, why not?

Yes, CPA Ireland considers that it would be appropriate to allow for early adoption.

16. Should a separate Part on the ISA-800 series be included within ED-ISA for LCE? Please provide reasons for your response.

We do not consider that it is necessary to include the ISA-800 series within the ED-ISA for LCE.



17. In your view, would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion and for which the proposed standard has been developed? If not, why not. Please structure your comments to this question as follows:

(a) Whether the proposed standard can, and will, be used in your jurisdiction.

CPA Ireland supports the approval of the proposed standard for use in the Irish jurisdiction and will endeavour to advocate for its approval.

(b) Whether the proposed standard meets the needs of auditors, audited entities, users of audited financial statements and other stakeholders.

We believe that the standard meets the needs of these stakeholders.

(c) Whether there are aspects of the proposed standard that may create challenges for implementation (if so, how such challenges may be addressed).

CPA Ireland envisages that there may be challenges in the wider acceptance of the standard by regulatory authorities and other stakeholders and believes that this challenge can be reduced through dialogue and engagement.

18. Are there any other matters related to ED-ISA for LCE that the IAASB should consider as it progresses the proposed standard to finalization?

We have not identified any further matters at this time.

Section 4G - Approach to Consultation and Finalization

19. What support and guidance would be useful when implementing the proposed standard?

We consider that an extensive outreach programme will be required in the form of exploratory webinars, articles highlighting the requirements of the standards and the differences between the proposed standard and the current ISAs.

21. Effective Date—Recognizing ISA for LCE is a new standard, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning at least 18 months after the approval of a final standard. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA for LCE.

Given the urgency of this project we believe that the standard should be available for early adoption as soon as possible and believe that the time period proposed is reasonable.

Section 5 – Group Audits

22. The IAASB is looking for views on whether group audits should be excluded from (or included in) the scope of ED-ISA for LCE.

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We believe that group audits should not be excluded from the scope of this proposed standard.

To conclude, CPA Ireland warmly welcomes this consultation, and we look forward to working to support the adoption of the standard globally and for use in the Irish market.

If you have any queries on any aspect of our response, please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in black ink that reads 'Emer Kelly'.

Emer Kelly
Secretary – Audit Practices Sub Committee