



January 31, 2022

International Auditing and Assurance Standards Board (IAASB)
Via electronic submission

Re: International Standard on Auditing for Audits of Financial Statements of Less Complex Entities Management (ED-ISA for LCE)

Dear IAASB,

CohnReznick appreciates the opportunity to comment on the document: International Standard on Auditing for Audits of Financial Statements of Less Complex Entities Management (ED-ISA for LCE).

CohnReznick is the 16th largest accounting firm in the US, with its origins dating back to 1919. We support the IAASB in its overall efforts to serve the public interest by setting high-quality international standards for auditing, quality control, review, other assurance, and related services, and by facilitating the convergence of international and national standards. While our domestic and international capabilities (including through our Nexia International membership) allow us to serve a broad array of clients, we are a significant provider of services to the smaller and middle market. Our desire is that our response to the discussion paper will give you perspective into the unique impact these changes might have on small and medium size entities and their ability to attract capital.

Our responses to specific questions on which the IAASB is seeking comment are included in the attachment to this letter.

If you have any questions concerning our comments or would like to discuss any of our responses or recommendations in more detail, please feel free to contact Steven Morrison, Partner, National Director of Audit, at +1.646.601.7740 or steven.morrison@cohnreznick.com.

Yours truly,

A handwritten signature in black ink that reads "CohnReznick LLP". The signature is written in a cursive, flowing style.

Name of Respondent: Steven Morrison, CPA, CFF

Organization (*where relevant*): CohnReznick LLP

Country/Region/Jurisdiction: United States of America

General Comments on Proposed ISA for LCE

Response: Overall, we do not support the creation of a separate audit standard for lesser complex entities.

We believe, although well intentioned, that the proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities Management (ED-ISA for LCE) is not in the public interest, in part, for the following reasons:

- *Public perception and confusion*

Having another standard for audits could be confusing for users, particularly in environments such as the United States where there already exist multiple audit standards, including the AICPA, PCAOB, and Government Auditing Standards. In the United States this confusion is mitigated because the user communities for PCAOB and Government Auditing Standards tend to be distinct. However, for LCEs, many users, such as lending institutions, also use audits for non-LCEs and the possibility for confusion and dilution of the audit “brand” could have a negative effect on capital formation.

- *Audit quality*

We believe that having two separate standards for audit could erode the quality of audits, in part due to practitioners diverting resources to maintain two separate, yet different, methodologies. In the United States, we see additional time spent at various levels of firms to monitor developments in two different standards (AICPA and PCAOB), address changes to methodologies, and update internal trainings and practice. This focus can unintentionally take away time from addressing risks of material misstatement appropriately. Generally, larger firms like ours are better situated to handle maintaining multiple methodologies and multiple standards, in part due to the existence of national offices. The vast majority of firms likely do not have personnel dedicated to the national office function and these are the same firms that will be auditing a large number of LCEs. The strain on the firms to address two versions of ISAs may negatively affect audit quality.

- *Dilution of resources*

We live in a dynamic ever-changing world and as such auditing standard setters need to be both nimble and effective. We have concerns that if there is a separate LCE standard, the time the IAASB spends maintaining, evaluating, and updating the LCE standard will have a negative effect on the IAASB’s ability to maintain the ISAs overall as high-quality standards in a timely manner.

Instead of issuing the ED-ISA for LCE, we propose:

- The IAASB utilize what has been learned in the outreach process thus far on the proposed ED-ISA for LCE and apply the knowledge to the existing ISAs in an effort to improve their scalability. The knowledge learned likely will be of great value not only to auditors of LCEs but also those of non-LCEs.

- Launching an educational campaign to inform various jurisdictions about the existence, benefits, and limitations of the review, compilation, and attestation services. These services are well-known in many circles and often used in the United States. Although some jurisdictions may ultimately issue their own “audit” standards, we recommend the IAASB focus on maintaining and protecting the name of the ISAs in the eyes of larger capital markets and avoid diluting the public perception of the ISAs by having what some may ultimately refer to as “ISA light.”