

Dear colleges

Please find the attached comments for LCE project

#### Question 1

The definition is very general, under this definition can be summed up different categories of business. For example, a Bank owned by an individual, and carrying out only direct banking operations – receiving funds and issuing loans, will fit this definition, in the absence of an extensive representative network. It seems that it would be good to specify the understanding of " Straightforward or uncomplicated transactions", " Straightforward or uncomplicated transactions ", and especially "few personnel". Perhaps a criterion could be added to the definition of an LCE to exclude organizations of public interest.

#### Question 2

In an LCE audit, a lot of time is spent on planning, which should not be complicated. It can be difficult to apply the requirements of paragraphs 9 of ISA 300 the Auditor should develop an audit plan that includes a description of: The nature, timing and extent of planned risk assessment procedures at the prerequisite level, as defined in ISA 330; 5 and 6 ISA 330 The auditor shall design and implement overall responses to address the assessed risks of material misstatement at the financial statement level, the auditor shall design and perform further audit procedures whose nature, timing and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level.

The auditor often spends more time on the formalization of procedures than on their implementation. For an audit by a working group, careful planning is an urgent necessity that determines the work of each member, but for an auditor who conducts an MSO audit often alone, documenting the planning procedures in terms of its scope can be time-consuming and impractical, since further audit papers show how much of the procedures were performed to obtain proper audit evidence.

Another aspect of MSA that is causing difficulties for auditors when auditing MSO – compliance with the requirements of standard ISA 240 in identifying fraud activities. In LCE as a rule, the owner and the head of management is one person, the corporate structure allowing to reveal fraud, is absent, authorization of operations is carried out by the same person, often without having formal traces. In this case, the auditor can only obtain written representations from management provided for in paragraph 39 of ISA 240, which are formal in nature and indicate the absence of any unfair practices. Thus, the auditor relies on statements of those persons who are interested in concealment of unfair actions.

#### Question 3

The complexity of planning procedures is solved by the use of automation, which is expensive for small audit organizations.

It would be useful to provide smaller audit organizations with more examples of how to complete the working documentation that would be appropriate for the different cases of an LCE audit.

It would be particularly useful to provide auditors with the experience of the most effective means of automation of audit procedures used in the world. Perhaps IFAC or IAASB will perform a platform on which developers IT procedures in the audit would present their designs for small audit organizations, in the implementation of audit of MSO that wasn't too complicated, and experts IFAC or IAASB would give their assessment of these products.

Auditors should be able to receive timely clarification of methodological issues arising in the application of ISAs, so it would be very useful to have a clear channel of communication in order to be able to ask questions.

Many difficulties arise when translating ISAs into other languages during the implementation of national programs. Previously, there was an IAASB-based forum for translators initiative that was not fully implemented, and now has completely faded away. We offer to resume communication of ISA translators on the IAASB site or other resource, however, information about the work of such a resource should be publicly available.

#### Question 4

I believe that the creation of a separate standard for the audit of ISAs is unnecessary, since the value of ISA is precisely to meet all the requirements and achieve the objectives of each standard that are applicable to a particular task. The creation of a separate standard would require the inclusion of virtually all applicable standards, resulting in a very lengthy document. At the same time, the situations would be unclear:

Which of the sets of standards should be applied - General or for the LCE in a particular case, especially in connection with the generalized characteristics of the LCE and what to do if there are contradictions in the sets of standards.

In this sense, it would be more efficient to include separate provisions on the LCE in the text of each revised standard.

The Guide to Using ISAs in Audits of SMEs is a very useful document, which would like to see more examples of practical situations. Perhaps best practice examples could be published as a stand-alone material, as this would help the ISAs to be adopted by small organizations whose clients are LCE.

Priority is given to the inclusion of a special section in the text of the ISAs on LCE.

The release of the International audit practice review (IAPN) for LCE audits would certainly be useful.

#### Question 5

Consideration should be given to how material useful to the audit of the ISA can be obtained by auditors most expeditiously. Revision of the standard takes several years, the same period of release of Guides or IAPN. This, of course, ensures the quality of the material, but such a period is very long in an ever-changing reality. Perhaps the release of any unauthorized material in a shorter time frame would be useful.

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