

**Hunter College Graduate Program
Accounting Department
Advanced Auditing Class
ACC 775**

**COMMENT LETTER ON THE PROPOSED INTERNATIONAL
STANDARD ON AUDITING FOR AUDITS OF FINANCIAL
STATEMENTS OF LESS COMPLEX
ENTITIES (ISA FOR LCE)**

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Hunter College Advanced Auditing Class

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The Advanced Auditing Class at Hunter College has reviewed the above-referenced Exposure Draft and offers the following comments for consideration to the International Auditing and Assurance Standards Board (IAASB). Our comments have been grouped into five major categories, set out below, that we hope will be incorporated into the final draft before publication.

OVERALL COMMENT

First, we would like to thank the governing board for the opportunity to comment on this exposure draft.

We have reviewed the significant changes carefully and have concluded that these updates will aid in a clearer interpretation and application of these standards which are meant to govern the auditing process for less-complex entities.

We understand that these changes can be complex when put into practice, but we believe that the guidance was written in a clear and concise manner and can be appropriately interpreted during application. We support this new standalone standard for less complex entities, but we also think the following comments and recommendations will make it more helpful.

One of the major challenges we foresee with this standard is the clear definition of what specifically qualifies an entity to be considered a less-complex entity. Although this standard has provided some guidelines to evaluate whether or not an entity may use ISA for LCE, the qualifications for an LCE can be more defined to better aid the auditor. We suggest including the outlines of a less complex entity similar to page 4 within the discussion paper that was released on September 12th 2019 ([IAASB-Discussion-Paper-Audits-of-Less-Complex-Entities.pdf](https://iaasb.org/iaasb/discussion-paper-audits-of-less-complex-entities.pdf) ([ifac.org](https://iaasb.org))).

We are also concerned about efficiency and cost effectiveness since the standard does not clearly or strictly define the qualities of an LCE so that an auditor can easily determine when an entity no longer falls under the guidance of this standard for LCEs from one financial reporting period to another.

Auditing Standards Boards (ASB) in their July 2021 video conference meeting highlights also expressed concern in developing "Statements on Auditing Standards for LCEs". They believe that scalability may be the limitation when it comes to adapting current SAS. Based on the meeting, ASB would first consider addressing it through an authoritative guide should there be a scalability issue in the United States but will be open to a potential standard for LCEs if needed. (<https://us.aicpa.org/content/dam/aicpa/interestareas/professionalethics/community/exposedrafts/downloadabledocuments/2021/202107-asb-highlights.pdf>)

RESPONSES TO REQUEST FOR COMMENTS

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

1. a) We believe that the standalone nature of the proposed standard is useful for auditors to have a one stop reference point. However, we have identified some areas of improvement that are provided in our next section that would be helpful for better understanding of the standard. We also foresee some challenges on when the standard can be applied due to not having a complete list of what LCE comprises but appreciate that the standard provides some guidance such as when an entity has complex accounting transactions, ISA 540 is the most appropriate auditing standard.

b) We also believe that the title of the proposed standard sections is well explained in regard to distinguishing the title of the ED-ISA for LCE to avoid confusion with existing ISA standards. It was well explained how the naming of the ED-ISA for LCE was established for it to specifically refer to Less Complex Entities while also maintaining identification as a global IAASB standard.

c) We have no further comments on any other matters in section 4A.

Section 4B – Authority of the Standard

5. a) We believe the guide is helpful because it provides additional information pertaining to the Authority. Users, such as firms and auditors, can look to the Supplemental Guide for assistance surrounding the use of the ISA for LCE. It also emphasizes important subjects pertaining to the use of the ISA for LCE such as its limitations and modifications.

b) We have no suggestions for other inclusions as we believe the guide addresses all matters.

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

8. We support the overall design as being consistent throughout the ED-ISA. The IAASB focused on aspects of simpler numbering, limiting the sub-bullets, one thought per paragraph, combining requirements from the ISA, avoiding repeating items, and being clear and simple. These changes help the reader learn about the guidelines and specifically find what they are looking for.

However, there are some paragraphs where the guidance can be formulated more clearly using less redundant thoughts. One such paragraph, “Section 5.2.12 Going Concern”, is addressed more precisely in our comments on that section.

The graphics are an effective way of providing information to the reader, e.g. Sections 9.2 and 9.3, but the design can be more effective. For Section 9.2’s graphic there is too much information. We would suggest making it more than one line and adding more structure. For section 9.3 we would suggest adding the specific sections of the preface, the authority, parts 1-3, parts 4-9, and the appendix. For example, the box on the right of “Parts 1-3” would discuss parts 1, 2, and 3 individually and not just as one unit.

10. a) Yes, we agree with the approach taken in ED-ISA for LCE regarding auditor report requirements, including the presentation, content and completeness of Part 9. ED-ISA for LCE being a standalone “self-contained” standard has a detailed explanation that doesn’t require

direct reference back to the materials from ISAs. It shows in a table format when modification to an opinion may be required along with how to present those modified opinions in the auditor's report. It also sets out some specific circumstances when the auditor's opinion is to be modified and what types of opinions to express.

b) Yes, we agree with the approach taken in ED-ISA for LCE regarding auditor reporting requirements, including the approach to include a specified format and content of an unmodified auditor's report as a requirement. ED-ISE for LCE Part 9 (Pg. 141 and 142) reflects the new changes on moving the opinion to the first part of the report, disclosing responsibility of management and the auditor for going concern issues and expanding the disclosure of auditor responsibilities.

c) Yes, we agree with the approach taken in ED-ISA for LCE regarding auditor reporting requirements, including the approach to providing example auditor's reports in the Reporting Supplemental Guide. This additional illustration on the Auditor's report provides more guidance with examples on the Independent Auditor's report for all types of Opinion: Qualified opinion, Adverse Opinion, Disclaimer of Opinion and Unmodified Opinion.

11. a) The support material provided in the supplemental guide on reporting is helpful to the users of ED-ISA for LCE as it provides a clear guidance on specific elements of the auditor's report and relevant ethical requirements, gives examples of modifications to the auditor's opinion, and instances when an emphasis of matter and other matter paragraphs maybe added by the auditor, and illustrates possible auditor's opinions. b) The supplemental Guide to Reporting seems sufficient.

12. In our view, Section 4 can be improved. Section 4 is set to clarify an auditor's responsibility and whether use of the ISA for LCE is appropriate. Subsection 4.2 & 4.4 states one of the objectives for an auditor is to determine that the ISA for LCE is appropriate for the audit engagement. However, these subsections tend to repeat the same requirements. Subsection 4.2 sets out the precedent for what is needed for the use of ISA for LCE. Subsection 4.3 then proceeds to discuss the preconditions for an audit and whether an auditor should accept or continue with an audit. Subsection 4.4 then discusses additional considerations for the preconditions of an audit. However, it states similar requirements to what was already mentioned in Subsection 4.2. We suggest that the subsections just be merged, or the standard clearly identifies the difference in the requirements of the two subsections 4.2 and 4.4.

Section 4F – Other Matters

14. We agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance because all the changes made will be reasonable for all the stakeholders, and maintain a stable platform. During the process of the project, the stakeholders' (SMPs and SMEs) voices will always be heard, and it's a significant factor for IAASB to consider while making the decision to adopt and use the standard. An entity using the ED-ISA for LCE will have at least 18 months to understand the new standard and even a new or revised standard finalized IAASB will provide an exact day for the entity to apply. Also, if the ED-ISA

for LCE is inoperable for specific entities, there is the ability to process a narrow-scope amendment in supplemental guidance to help them.

15. Yes, if early adoption will not be a burden to the auditor. In general, the auditor should consider a cost benefit analysis. The burden is on the auditor to train staff, update software, tools, forms etc. Larger firms are more easily able to adapt to new guidelines while smaller firms might be more reliant on auditing publishers on how to proceed.

16. Yes, it should be included within ED-ISA for LCE because the auditing standard should be framework-neutral. There shouldn't be any difference between the auditing standards on LCE audits and special purpose framework audits, because regardless of what framework the company is using, such as accrual basis, cash basis, tax basis, the overall audit procedures should be the same. For example, the auditors have to check the existence of the inventory and who has the title of the inventory, regardless of what framework the client uses. Therefore, the audit standard ISA-800 should be and can be included in ED-ISA for LCE since it's framework neutral.

Section 4G - Approach to Consultation and Finalization

20. Per Section 4-G, this exposure draft and supplemental materials will be translated to Spanish and French. A standard for the IAASB should be to have all their pronouncements and standards translated to the most spoken languages. Therefore, Arabic, Hindi and Portuguese should be added to the list of translations. This will increase the probability of IFRS adoption as well as avoiding mistranslations made by respondents.

21. Implementation of the new standard 18 months after approval is not sufficient. This should be changed to implementation of the new standard by the 2nd financial reporting period after the standard has been approved. If we implement the new standard 18 months after the standard is approved, and the standard is approved in the month of March 2022, then the companies whose fiscal period starts in January, will not be able to adhere to the standard as they will be more than 18 months out before their next fiscal reporting period begins or choose to start 9 months earlier. By allowing implementation of the new standard by the 2nd financial reporting period, the companies can prepare to convert to the new standard and possibly implement some aspects of the new standard earlier to start to become compliant by the 2nd reporting period.

Section 5 – Group Audits

22. Group audits should be included for both individual components and consolidated audits depending on if the entity's characteristics meet the definition of LCE. If the individual component and subsidiaries meet the definition and characteristics of an LCE, then it should be included in the scope of ED-ISA for LCE. Although more complex, when considering whether to use group audits on a parent company, one should consider the characteristics of the entity. For example, if it's only in regard to one parent company with two small subsidiaries in two different countries, then an ISA for LCE for the parent company may still be appropriate. If there are too many subsidiaries, the audit may become too complex because the group auditor has to be involved in the assessment of risk of material misstatement and has to be more involved. The

auditor also has to worry if the parent can follow the LCE and if the components meet the definition.

26. Presenting the requirements pertaining to group audits in a separate part seems most effective, especially if group audits were to be included in ED-ISA for LCE. Having one part dedicated solely to group audits would allow readers to refer and reflect back on that specific section, and subsections for guidance. We believe if option b were to be chosen (***Presenting the requirements pertaining to group audits within each relevant Part***) then readers who do not need information on group audits would be able to skip that part, and focus on the parts of the guidance that are most relevant to their engagement.

COMMENTS REGARDING WORDING AND FORMATTING

1. The current standard suggests that the effective date will be for periods beginning on or after [XXX], a date to be determined. The normal process suggests that the standard will become effective within 18 months after the standard is approved. However, we believe that the guidance should suggest the effective date as set forth below.

Section 1.1.1 (ED Pg 68)

This [draft] standard is effective for audits of financial statements of ~~periods beginning on or after [XXX].~~ **the second financial reporting period of the affected company after the date of approval of this draft. However, the company may implement the new standard in part, or in its entirety earlier as allowed by local laws.**

2. We would suggest adding in the last sentence on the section referenced below as it provides more context when the auditor is unable to withdraw from an engagement due to laws or regulations.

Section 1.5.2 (ED Pg 72)

If, as a result of misstatement resulting from fraud or suspected fraud, the auditor encounters exceptional circumstances that bring into question the auditor's ability to continue performing the audit, the auditor shall determine the legal and professional responsibilities applicable ~~in the~~ **under the** circumstances or consider whether it is appropriate to withdraw, where withdrawal is possible under law or regulation. **In the event that the auditor is unable to withdraw from an engagement due to laws or regulations, the auditor should consult with an audit committee and obtain legal representation and refer the matter to a legal body for further review.**

3. We believe separating the sentences on the sections below and having the information in a list format makes it easier to understand.

Section 2.3.1 (ED Pg 77)

The reliability of information to be used as audit evidence is influenced by its source and nature, as well as the circumstances under which it was **obtained.** ~~including~~ **This includes** the controls over its preparation and maintenance where relevant. Generally, the reliability of information is increased when it is obtained from:

- independent sources outside of the entity
- ~~by~~ the auditor directly
- Is an original document rather than a copy

- Written rather than oral information

However, circumstances may exist that could affect these generalizations.

Section 7.4.20 (ED Pg 124)

If the auditor **is unable to observe physical inventory for any reason**, ~~has not attended the inventory count due to unforeseen circumstances~~, the auditor shall ~~make or observe some~~ **do the** physical counts on an alternative date. **However,**

~~(i) and perform audit procedures on intervening transactions. If attendance at physical inventory counting is~~ **if it's impracticable to perform a physical inventory count**, the auditor shall perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory, or

~~(ii) if not possible,~~ **the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall** determine the effect on the auditor's report,

4. The information in the section referenced below is repeated as this requirement is already stated in 4.2 when the standard states the requirements for using the ISA for LCE.

Section 4.4.1 (ED Pg 88)

~~The engagement partner shall determine that the firm's policies or procedures regarding acceptance and continuance of the audit engagement have been followed and that conclusions reached in this regard are appropriate, including the appropriate use of the [draft] ISA for LCE.~~

5. Listed below are sections we are recommending grammatical correction, rephrasing the sentence or omitting unnecessary words in order for the users to understand the ED more effectively and precisely.

Section 2.5 (ED Pg 78)

The form, content and extent of audit documentation depends on the nature and circumstances of the entity and the procedures being performed. Audit documentation may be in ~~paper or electronic~~ any format suitable for auditor for whatever the compliance is. It is not necessary to include superseded drafts of working papers or financial statements in the audit documentation.

Section 3.2.2 (ED Pg 82)

The engagement partner shall take responsibility for clear, consistent and effective actions being taken that reflect the firm's commitment to quality, ~~and establish~~ and communicate the expected behavior of the engagement team members, including emphasizing:

Section 2.3.2 (ED Pg 77)

Obtaining audit evidence about the accuracy and completeness of such information may be performed concurrently with the ~~actual~~ audit procedure applied to the information ~~when obtaining such audit evidence is an integral part of the audit procedure itself~~. In other situations, the auditor may have obtained audit evidence of the accuracy and completeness of such information by testing controls over the preparation and maintenance of the information. In some situations, however, the auditor may determine that additional audit procedures are needed.

Section 2.3.4 (ED Pg 78)

Audit procedures to obtain audit evidence can include inspection, observation, confirmation, recalculation, reperformance and analytical procedures, as well as inquiry ~~often in some~~

~~combination, in addition to inquiry. Although Inquiry may provide important audit evidence, and may even produce evidence of a misstatement, inquiry alone ordinarily does not provide sufficient audit evidence of the absence of a material misstatement at the assertion level, nor of the operating effectiveness of controls.~~

Section 3.2.6 (ED Pg 83)

If matters come to the engagement partner's attention that indicate that a threat to compliance with relevant ethical requirements exists ~~or relevant ethical requirements have not been fulfilled,~~ the engagement partner shall take action, as appropriate in the circumstances, including:

Section 3.2.8 (ED Pg 83)

If the conditions in paragraph 3.2.7. are not met, the engagement partner shall take appropriate action including, if relevant, communicating with appropriate individuals about the need to assign or make ~~available~~ additional or alternative resources **available** to the engagement.

Section 4.3.1(a) (ED Pg 87)

Determine whether the financial reporting framework ~~to be~~ **being** applied in the preparation of the financial statements is acceptable;"

Section 4.3.2 (b) (ED Pg 88)

If the agreement ~~of with~~ management ~~that it~~ acknowledges and understands its responsibility has not been obtained.

Section 4.6.6 (ED Pg 89)

The auditor shall obtain sufficient appropriate audit evidence about whether the accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, and whether any changes in accounting policies have been appropriately accounted for ~~and~~ adequately presented and disclosed in accordance with the applicable financial reporting framework.⁵²

Section 4.8.5 (ED Pg 91)

If law or regulation prescribes in sufficient detail the terms of the audit engagement referred to in this [draft] standard, the auditor ~~need not~~ **is not required to** record them in a written agreement, except for the fact that such law or regulation applies, and that management acknowledges and understands its responsibilities.

Section 5.2.2 (ED Pg 92)

For example, ~~a suitable brief take the memorandum prepared at the completion of the previous audit, based on inspection of the working papers completed in last year's audit regarding the workpapers and the highlighting issues identified in the audit just completed, updated in the current period based on discussions with the owner-manager, and~~ **update it with the current period based on the discussion with the owner-manager, and this** can serve as the documented scope, timing and direction for the current audit engagement.

Section 5.2.6 (ED Pg 93)

The engagement team discussion may also include other matters related to the audit such as the

logistics, ~~operational~~ **operations** and other matters (such as when risks of material misstatement may have changed from prior years or matters related to relevant ethical requirement including independence) and the timing of the audit and communications that are required.

Section 5.2.12 (ED Pg 95)

The auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. ~~and to conclude;~~ **This is** based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern.

Section 6 (ED Pg 98)

Included in Part 6 ~~contains the~~ **are various** requirements ~~relevant to the auditor's responsibility to perform~~ **is responsible for following in alignment with** procedures and related activities **that will allow them** to:

Section 6.2.2 (ED Pg 99)

The procedures to identify and assess risks of material misstatement ~~shall~~ includes:

(b) Analytical procedures; and

Section 6.2.3 (ED Pg 100)

Misappropriation of assets is often accompanied by false or misleading records or documents in order to conceal ~~the fact that the assets are missing or have been pledged~~ **missing assets or assets that were pledged** without proper authorization.

Section 6.5.1(b) (ED Pg 108)

In doing so, the auditor shall take into account how, and ~~the to what~~ **to what** degree ~~to which~~ inherent risk factors affect the susceptibility of relevant assertions to misstatement.

Section 6.5.1 (ED Pg 108)

In assessing inherent risk, the auditor uses professional judgment in determining the significance of ~~the combination of~~ **both** the likelihood and magnitude of a misstatement on the spectrum of inherent risk.

Section 6.5.4 (ED Pg 109)

Being close to the upper end of the spectrum of inherent risk will differ from entity to entity, and will not necessarily be the same for an entity period ~~on to~~ **to** period.

Section 6.7.1(ED Pg 111)

The auditor shall communicate **the identified significant risks** to management, and where appropriate, **to** those charged with governance, ~~the significant risks identified by the auditor.~~

Section 7.2.2 (a) (ED Pg 114)

Assign and supervise personnel taking **into** account the knowledge, skill, and ability of the individuals to be given significant engagement responsibilities and the auditor's assessment of the risks of material misstatement due to fraud or error for the engagement;

Section 7.3.2 (b) (ED Pg 115)

Obtain more persuasive audit evidence ~~the higher the auditor's assessment of risk;~~ **when the auditor's risk assessment is high;**

Section 7.4.5 (ED Pg 120)

If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall ~~obtain sufficient appropriate audit evidence to determine whether or not a material uncertainty exists through performing additional procedure;~~ **including to obtain sufficient appropriate audit evidence and** ~~consideration of mitigating factors (a "material uncertainty" related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern)~~ **to determine whether or not events or conditions is material to be disclosure.** These procedures shall include:

Section 7.4.8 (a) (ED Pg 121)

Test the appropriateness on **all types of journal entries by** ~~of manual and automated journal entries recorded in the general ledger and other adjustments, made in the preparation of the financial statements, including:~~

- (i) Making inquiries **on the inappropriate and unusual activities;** ~~of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments;~~
- (ii) **Test the** ~~Selecting~~ journal entries and other adjustments made at the end of a reporting period; and
- (iii) **Use professional judgment to decide if other journal entries need to be tested.** ~~Considering the need to test journal entries and other adjustments throughout the period."~~

Section 7.4.8 (b) (ED Pg 121)

(i) Evaluate whether the judgments and decisions made by management indicate a possible bias on the part of the entity's management, ~~even if they are~~ **both** individually reasonable **and reasonable in combination**, that may represent a risk of material misstatement due to fraud. If so, the auditor shall reevaluate the accounting estimates taken as a whole; and

Section 7.6.1 (ED Pg 127)

The auditor shall communicate:

- (a) Significant deficiencies **and material weakness** in the entity's internal control system identified during the audit to those charged with governance **and management (unless it would be inappropriate to communicate directly with management in the circumstances)** in writing and on a timely basis.
- (b) With management, in writing and on a timely basis, ~~matters that have been communicated to those charged with governance (unless it would be inappropriate to communicate directly with management in the circumstances)~~ and other deficiencies in internal control identified that have not been communicated but are of sufficient importance to merit management's attention.

Section 8.5.10 (ED Pg 133)

If events or conditions ~~have been identified~~ **that may cast significant doubt on the entity's ability to continue as a going concern** have been identified, but, based on the audit evidence obtained the auditor concludes that no material uncertainty exists, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework, the

financial statements provide adequate disclosures about these events or conditions.

Section 8.3.1. (ED Pg 130)

Near the end of the audit the auditor shall design and perform analytical procedures near ~~the end of the audit~~ that assists the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity, and to identify any indications of a previously unidentified risk of material misstatements due to fraud or error.

Section 8.4.1 (ED Pg 130)

The auditor shall perform audit procedures designed to obtain sufficient appropriate audit evidence that all events occurring between the date of the financial statements and the date of the auditor's report ~~that and require~~ **requiring** adjustment of, or a disclosure in, the financial statements have been identified.

Section 8.4.5 (ED Pg 131)

If management amends the financial statements, the auditor shall carry out the audit procedures necessary in the circumstances ~~on the amendment~~, including extending the audit procedures performed to the date of the new auditor's report and providing a new auditor's report on the amended financial statements.

Section 8.5.9 (ED Pg 132)

If the auditor concludes, based on the audit evidence obtained, that management's use of the going concern basis of accounting is appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether **an** adequate disclosure about a material uncertainty related to going concern has been made in the financial statements, including:

Section 8.5.11(ED Pg 133)

If the auditor confirms that, or is unable to conclude whether, the financial statements are materially misstated as a result of fraud, the auditor shall evaluate the implications on the audit including ~~on~~ the assessed risks of material misstatement and the auditor's report.

Section 8.6 (ED Pg 133)

However, although written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own ~~about any of the matters with which they deal~~.

Section 8.6.1 (ED Pg 133-134)

The auditor shall obtain written representations from management for all periods referred to in the auditor's opinion, **from those** who have appropriate knowledge of the matters concerned and responsibility for the financial statements, and where appropriate, those charged with governance about the following matters:

- (a) ~~That~~ they have fulfilled their responsibility for the preparation of the financial statement in accordance with the applicable financial reporting framework, including where relevant their fair presentation;
- (b) ~~That~~ they have provided the auditor with all relevant information and access as agreed in the terms of the audit engagement;⁶¹
- (c) ~~That~~ all transactions are recorded and are reflected in the financial statements;
- (d) ~~That~~ they acknowledge their responsibility for the design, implementation and maintenance

of controls to prevent and detect fraud;

(e) ~~That~~ they have disclosed to the auditor the result of its assessment of the risk that the financial statements may be materially misstated because of fraud;

(f) ~~That~~ their knowledge of fraud, or suspected fraud, or allegations of fraud or suspected fraud has been disclosed to the auditor;

(g) ~~That~~ they have disclosed to the auditor the identity of the entity's related parties and all the related party relationships and transactions of which they are aware;

(h) ~~That~~ they have appropriately accounted for and disclosed related party relationships and transactions in accordance with the requirements of the financial reporting framework;

(i) ~~That~~ all known instances of non-compliance or suspected non-compliance with law or regulation whose effects should be considered when preparing financial statements have been disclosed to the auditor;

(j) ~~That~~ all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework;

(k) With regard to accounting estimates, whether the methods, significant assumptions and data used in making the accounting estimates and disclosures are appropriate to achieve recognition, measurement or disclosure is in accordance with the applicable financial reporting framework;

(l) ~~That~~ all events occurring subsequent to date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed;

Section 9.5 (ED Pg 143)

Table C below sets out specific circumstances when the auditor's opinion is to be modified, and the types of opinions expressed ~~in those circumstances~~ based on the nature of the matter giving rise to the modification **in those circumstances** (see Table A). Table C is not an exhaustive list of all circumstances when the auditor's opinion is to be modified.

Section 9.5.1.G Table C (ED Pg 145)

The auditor concludes, based on the audit evidence obtained, that the opening balances contain a misstatement that materially affects the current period's financial statements, and the effect of the misstatement is not appropriately accounted for or ~~not~~ adequately presented or disclosed.

Section 9.5.1.H Table C (ED Pg 145)

The auditor concludes, based on the audit evidence obtained, that ~~the current period's accounting policies are not consistently applied in relation to~~ **reflected in the** opening balances ~~in accordance with the applicable financial reporting framework or a change~~ **have not been consistently applied in the current period's financial statement, or changes thereto** in accounting policies is not appropriately accounted for or adequately presented or disclosed; in accordance with the financial reporting framework.

Section 9.5.1.O Table C (ED Pg 146)

If The auditor is unable to perform an alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory ~~cannot be performed~~.

Section 9.5.1.S Table C (ED Pg 147)

The auditor is unable to obtain sufficient appropriate audit evidence if ~~W~~when evaluating management's assessment of the entity's ability to continue as a going concern, ~~if the period is less than twelve months from the date of the financial statements, and management does not make or extend its assessment, leading to the auditor being unable to obtain sufficient appropriate audit evidence.~~"

Section 9.5.1.W Table C (ED Pg 148)

~~H~~~~t~~The auditor is unable to obtain sufficient appropriate audit evidence.

Section 9.5.1.Y Table C (ED Pg 148)

~~H~~~~t~~The financial statements are prepared in accordance with a compliance framework and, in extremely rare circumstances, the auditor concludes, based on the audit evidence obtained, that such financial statements are misleading.

Section 9.6.3 (ED Pg 150)

If the financial statements of the prior period were audited by a predecessor auditor, in addition to expressing an opinion on the current period's financial statements, the auditor shall state in an Other Matter paragraph **that**:

(a) ~~T~~~~h~~~~a~~~~t~~The financial statements of the prior period were audited by a predecessor auditor;

MINOR CHANGES:

Section 6.2.1 (ED Pg 99) [Below sentence is missing '.', after 'required'.]

When such systems and processes lack formality, compliance with the procedures in this part is still required. For example, the auditor may still be able to perform the required procedures through observation and inquiry

Section 6.2.6 (ED Pg 100) [Below sentence is missing ',', after 'modified'.]

If the audit opinion on the prior period's financial statements was modified, the auditor shall evaluate the effect on the current year's financial statements when identifying and assessing risks of material misstatement.

Section 6.5.7(a)(i) (ED Pg 109) [Below sentence is missing ',', after 'occur'.]

Due to the unpredictable way in which such override could occur, it is a risk of material misstatement due to fraud and therefore a significant risk; and

Section 6.5.7(a)(ii) (ED Pg 109) [Below sentence is missing ',', after 'recognition'.]

Based on a presumption that there are risks of fraud in revenue recognition, the auditor shall evaluate which types of revenue, revenue transactions, or assertions give rise to such risks; and

Section 6.8 (ED Pg 111) [Below sentence is missing ',', after 'size'.]

The nature, size, and complexity of the entity and its internal control system.

Section 6.8.1(a) (ED Pg 112) [Below sentence is missing ',', after 'framework'.]

Key elements of the understanding obtained regarding each of the aspects of the entity and its environment, the applicable financial reporting framework, and the entity's internal control system.

Section 7.2.2 (c) (ED Pg 114) [Below sentence is missing ‘,’ after ‘timing’.]

Incorporate an element of unpredictability in the selection of the nature, timing, and extent of audit procedures.

Section 8.2.3 (ED Pg 129) [Below sentence is missing ‘,’ after ‘aggregate’.]

The auditor shall determine whether uncorrected misstatements are material, individually or in aggregate, by considering the:

OTHER SUGGESTED CHANGES ON SUPPLEMENTAL AUTHORITY

Below suggestions are changes in wording structure to better aid the understandability of the supplemental authority.

II. Introduction

3. (a) Is proportionate to the nature and circumstances that would be typical of an audit of a less complex **entity**;

(b) Is ~~able to be~~ used effectively and efficiently in audits of entities embodying common characteristics of being less **complex**, ~~to be able~~ to obtain sufficient appropriate audit evidence to support a reasonable assurance audit opinion.

(c) Utilizes principles-based requirements using a risk-based approach to an **audit**, so that it can be applied to entities with a wide range of circumstances that embody common characteristics of being less complex.

III. Limitations for Using the [Draft] ISA for LCE

17. Some of the classes of entities described in paragraph A.7.(c)(i)–(iv) of the [draft] standard may also be defined by local legislation governing, for example, entities undertaking banking or insurance businesses, but for the purpose of the [draft] standard, they are broadly described for global application in such a way ~~so as~~ to avoid any terms that are more jurisdiction specific.

23. Professional judgment is used to determine the “main function” of an entity (as described in paragraph A.7.(c)(i)-(iv) in the [draft] standard) For example, if an entity sells goods or services but receives deposits for the purpose of securing the goods or service in advance of delivery of the good or service, the main function of the entity is unlikely to be taking deposits from the public. Each situation is judged on the facts and circumstances ~~as to of what~~ the entity’s main function ~~is deemed to be~~ for the purpose of using the [draft] ISA for LCE.

28. Ownership or Oversight Structure

All of those charged with governance are involved in managing the entity (i.e., those with a governance role generally do not include an independent or outside **member(s)**).