

## OPTIONAL RESPONSE TEMPLATE: PROPOSED ISA FOR LCE

### Guide for Respondents

- The International Auditing and Assurance Standards Board (IAASB) has published this separate Microsoft Word document for respondents to use for submitting their comments, if they wish. The questions below are from the exposure draft of proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities Management (ED-ISA for LCE), which is available at [www.iaasb.org/publications/exposure-draft-proposed-international-standard-auditing-financial-statements-less-complex-entities](http://www.iaasb.org/publications/exposure-draft-proposed-international-standard-auditing-financial-statements-less-complex-entities).
- Respondents are asked to comment on the clarity, understandability and practicality of application of ED-ISA for LCE. In this regard, comments will be most helpful if specific aspects of ED-ISA for LCE are identified and the reasons for any concerns along with suggestions for improvement, are included. Specific suggestions for any proposed changes to wording in ED-ISA for LCE are also welcome.
- **Respondents are free to address only questions relevant to them, or all questions.** When a respondent agrees with the proposals in ED-ISA for LCE, it will be helpful for the IAASB to be made aware of this view as support for the IAASB’s proposals cannot always be inferred when not explicitly stated.
- We request that comment letters do not include tables as they are incompatible with the software we use to help analyze respondents’ comments.

**Comments are requested by January 31, 2022**

**Name of Respondent:**

IADA  
INSTITUTO ARGENTINO DE  
DOCENTES DE AUDITORÍA –  
ARGENTINE INSTITUTE OF AUDITING  
PROFESSORS

**Organization (where relevant):**

**Country/Region/Jurisdiction:**

ARGENTINA

## General Comments on Proposed ISA for LCE

**Response:** We conclude that we have no comments either of a general nature or on matters not covered in the following questions.

### Specific Questions

#### *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?

**Response:** We agree with the independent character of the standard with respect to its nature, application and any possible obstacles that may affect this approach.

- (b) The title of the proposed standard.

**Response:** We agree with the title of the proposed standard. However, we find a lack of definition as to what a complex entity is and consequently what a less complex entity is.

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

**Response:** The concern is the constant verification during the auditing process made by the auditor as to the selection of the auditing standard for LCE or the complete auditing standards.

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?

**Response:** We agree with all the modifications included in the IAASB Preface.

#### *Section 4B – Authority of the Standard*

3. Views are sought on the Authority (or scope) of ED-ISA for LCE (Part A of the proposed standard). In particular:

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

**Response:** We understand that the authority as presented in this ED can be implemented. However, we conclude that the prohibition of group audits for controlling and controlled entities that qualify as LCEs should not be limited.

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

**Response:** We have not observed any unintended consequences that have not been contemplated in this ED.

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

**Response:** We understand that both certain prohibitions and qualitative characteristics are left to subjective professional criteria, the application of this rule. In this sense, some kind of complement (indexes, ratios, something like that) would help to establish certain limitations to consider or not less complex entities.

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

**Response:** We believe that the Authority will achieve its objective.

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

**Response:** The Authorities' proposal to establish individual jurisdictional rules is clear and appropriate.

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; and  
(b) Qualitative characteristics.

If you provide comments in relation to the specific prohibitions or qualitative characteristics, it will be helpful to clearly indicate the specific item(s) which your comments relate to and, in the case of additions (completeness), be specific about the item(s) that you believe should be added and your reasons.

**Response:** (a) With respect to the specific prohibitions, the group audit prohibition should be limited to the extent that the controlling and controlled entities have the same characteristics. This would be consistent with the qualitative characteristics.

(b) On the other hand, the analysis of qualitative characteristics is highly subjective and will depend on the auditor's professional criteria.

5. Regarding the Authority Supplemental Guide:

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

**Response:** We conclude that the Authority's Supplementary Guidance is very useful.

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

**Response:** Matters should be included in the guidance on proposed changes, such as allowing the audit of groups of entities that have the same characteristics as the controlled entity and are defined as less complex entities. Other audit engagements (ISA 800) should also be considered.

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

**Response:** We did not discover any matter not contemplated in this ED.

#### *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 (see paragraphs 74-77).

**Response:** We consider the proposed approach to these requirements to be appropriate.

- (b) The approach to the objectives of each Part of the proposed standard (see paragraphs 78-80).

**Response:** We consider the proposed approach to the objectives of each part of the standard to be correct.

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

**Response:** We conclude that the principles regarding skepticism and professional judgment are appropriate. However, we understand that evaluating the quality management of the auditor's work in a small firm or in audits performed by a single auditor could be difficult because there could be a lack of objectivity or incompatibility since only one person would be performing the work and also performing the quality management control.

- (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.
  - (ii) The sufficiency of EEM.
  - (iii) The way the EEM has been presented within the proposed standard.

**Response:** The EEM approach meets the intended purpose, is sufficient, and its form is adequate.

#### *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 (paragraph 98-101).

**Response:** The design, general structure and wording of the ED-ISA for LCE are considered appropriate.

#### *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. In responding to this question, please distinguish your comments by using a subheading for each of the Parts of the proposed standard.

**Response:** The content of these parts is complete and appropriate.

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

- (a) The presentation, content and completeness of Part 9.
- (b) The approach to include a specified format and content of an unmodified auditor's report as a requirement?
- (c) The approach to providing example auditor's reports in the Reporting Supplemental Guide.

**Response:** We agree with the approach taken in section 9 with respect to all the requirements for forming an opinion and the related auditor's report. We only mention that in the case of the inclusion of audit engagements covered by ISA 800, the requirements for the reports of such engagements should be added.

11. With regard to the Reporting Supplemental Guide:

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

**Response:** We conclude that the support material is useful because it is very didactic.

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

**Response:** We did not detect any other issues that should be included in this Supplementary Guide.

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.

**Response:** We do not consider that there is an area for improvement.

#### *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?

**Response:** We have not detected any aspect that could be added to Section 4F.

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

**Response:** In the first place, we understand that the complementary guides could be a support material. Secondly, we suggest analyzing the possibility of contemplating new complex situations that may arise and including them in new guides or extra support material.

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

**Response:** We agree with the entire approach that has been proposed for both future updates and maintenance of the standard.

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

**Response:** We conclude that early adoption should be allowed on an optional basis.

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

**Response:** We consider it necessary to include in the regulatory body of ISA for LCE a part that contemplates all the assignments regulated in the ISA-800 since they are useful works requested by complex entities and will also be required by entities qualified as less complex.

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.

**Response:** It is important to clarify that in Argentina entities are divided into two large groups, one group of them is obliged to be audited with ISAs and the other group can be audited with ISAs or local auditing standards. Therefore, we understand that the use of ISAs for LCE in our country is not likely. Moreover, in our Republic the ethical standards are less strict and there is no practice of Quality Control Management as in the rest of the world.

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

**Response:** We understand that it meets all the needs of all parties involved and interested in the issuance of the auditor's report.

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

**Response:** What can generate challenges is the constant evaluation of the nature and definition of a Less Complex Entity, especially in a changing and dynamic economic and legal context such as the one we are living in Argentina.

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?

**Response:** We are not aware of any other relevant aspects that need to be considered, except for the aforementioned ISA 600 and ISA 800.

#### *Section 4G - Approach to Consultation and Finalization*

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

**Response:** In terms of support and guidance, we consider important what has been done to date, such as the exchanges via conferences, surveys, and the addition of the Complementary Guides as academic material.

We consider that continuing with these spaces in the implementation stage would add confidence for an adequate application.

20. Translations—recognizing that many respondents may intend to translate the final ISA for LCE in their own environments, the IAASB welcomes comment on potential translation issues noted in reviewing ED-ISA for LCE.

**Response:** We have not detected any problems in the translation of the ISAs for LCE.

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.

**Response:** We consider the time frame to be reasonable and adequate.

#### *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. Please provide reasons for your answer.

**Response:** They must be included, provided they meet the requirements to qualify the components as LCE.

23. Respondents in public practice are asked to share information about the impact of excluding group audits from the scope of ED-ISA for LCE on the use of the proposed standard. In particular:

- (a) Would you use the standard if group audits are excluded? If not, why not?

**Response:** In Argentina, even if these group audits are included, the ISA for LCE will not be used. However, we understand that in the rest of the countries these standards will be used for less complex entities even though group audits are not contemplated.

- (b) Approximately what % of the audits within your firm or practice would be group audits that would likely be able to use ED-ISA for LCE (i.e., because it is likely that such group audits could be considered less complex entities for the purpose of the proposed standard) except for the specific exclusion?

**Response:** The Argentine Institute of Audit Professors (Instituto Argentino de Docentes de Auditoría) is not a firm. This question does not apply to us.

- (c) What common examples of group structures and circumstances within your practice would be considered a less complex group.

**Response:** We suggest that they be evaluated individually and then globally applying the best criteria with a high degree of professional skepticism.

We can mention, as examples, structures to be considered to analyze whether the group is complex or less complex:

- The structure of the group is not complex, whether at the shareholder level, from the legal, economic, etc. points of view.
- The number of branches of the economic group or the number of entities forming the economic group.
- The geographical location of its branches or entities forming the economic group. For example, the number of provinces in which the branches or entities of the group operate.
- Whether the financial statements are to be consolidated or converted.
- The amount or complexity of the intercompany operations carried out in the economic group.
- The number of employees.

24. If group audits are to be included in the scope of ED-ISA for LCE, the IAASB is looking for views about how should be done (please provide reasons for your preferred option):

- (a) The IAASB establishes a proxy(ies) for complexity for when the proposed standard may be used ("Option 1 - see paragraph 169); or
- (b) ED-ISA for LCE sets out qualitative characteristics for complexity specific to groups (Option 2 - see paragraph 176), to help users of the proposed standard to determine themselves whether a group would meet the complexity threshold.

**Response:** We concluded that both options should be considered if group audits were to be included.

25. Are there other ways that group audits could be incorporated into the scope of the proposed standard that is not reflected in the alternatives described above? For example, are there proxies for complexity other than what is presented in paragraph 169 that the IAASB should consider?

**Response:** We suggest the examples of complexity mentioned in question 23.

26. If group audits are included in ED-ISA for LCE, how should the relevant requirements be presented within the proposed standard (please provide reasons for your preferred option):

- (a) Presenting all requirements pertaining to group audits in a separate Part; or
- (b) Presenting the requirements pertaining to group audits within each relevant Part.

**Response:** We suggest the option: (a) Present all requirements related to group audits in a separate Part.

**IAASB**

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