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.

- 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: Jerzy Migas PIBR nr 2546

Organization (*where relevant*):   Poland PIBR

Country/Region/Jurisdiction: Poland

General Comments on Proposed ISA for LCE

Response: *[Please include here comments of a general nature and matters not covered by the questions below.]*

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:

    (b) The title of the proposed standard.

    Response:

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

    Response:

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:

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:

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

    Response:

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

    Response:

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

    Response: No. There are no clear criteria for the types of audited entities. i.e. which are not submitted yet and which are already submitted. I propose to add an additional criterion – new actualization may apply to shareholder managed entities i.e. the SF stakeholders. Moreover, in general, there is a need to introduce the classification of entities not in terms of their extent nor complexity but in terms of the mode, if it can be briefly called, of the taken decisions. In unit management, the key is making decisions or the way of making decisions, e.g. by stakeholders, and this determines the difficulties in the process of SF audit. In this context, the extent or complexity of an entity is not a hindrance.

    (e) Is the proposed role of legislative or regulatory authorities or relevant local bodies with standard setting authority in individual jurisdictions 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: I do not accept. Completely new quality solutions must be introduced, including a statistical survey using a representative method.

5. Regarding the Authority Supplemental Guide:

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

    Response:

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

    Response:

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: Yes. 1. Introduction of the classification of units due to the mode of making decisions, the so-called decision classification. 2. Introduction of the representative method as a criterion for meeting the quality requirements and as a separate requirement proving high quality on its own, i.e. without other requirements

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: In the MSB's assumptions, the quality requirements are no longer relevant with regard to IT technology. Currently, the main issue is not the examination of books, records or individual documents, but the examination of the system. The goals are then different. An entirely separate and new thing is to define it.

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

    Response:

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

    Response:

    (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:

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: Add new, innovative solutions that take into account the development of IT technology, including conducting tests using the representative method. Testing as the basis.

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:

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:

11.   With regard to the Reporting Supplemental Guide:

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

Response:

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

Response:

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:

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:

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

Response:

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

Response:

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

Response:

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

Response:

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:

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

Response:

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

Response:

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:

Section 4G - Approach to Consultation and Finalization

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

Response:

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:

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:

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:

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:

    (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:

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

    Response:

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:

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:

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: