



# KOMITE PROFESI AKUNTAN PUBLIK

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Number : S-03/KPAP/2022  
Attachment : One response template to the  
Proposed ISA for LCE

January 28<sup>th</sup>, 2022

Dear Sir of Madam of the IAASB,

First and foremost, allow us to introduce ourselves. We are the Committee on Public Accountant Profession (Komite Profesi Akuntan Publik – KPAP) from Indonesia, an independent committee mandated by Public Accountant Law No. 5/2011 and Government's Regulation No. 84/2012 concerning Committee on Public Accountant Profession. According to these laws and regulations, one of the functions of KPAP is to give recommendations related to Public Accountants.

We believe contributing to the ED-ISA for LCE by giving comments based on our experience would be a means to fulfill our function as an independent committee. In general, we agree with the proposed ISA for LCE because there are plenty of cases in Indonesia where auditors find it is not easy to implement ISA on less complex entities. Thus, we fully support IAASB in formulating ISA for LCE. The complete response is attached to this letter.

We hope the proposed ISA for LCE will become a solution to the many problems related to audits for LCE. If you need further correspondence regarding our comments, please reach us through our email at [sekretariat@kpap.go.id](mailto:sekretariat@kpap.go.id). We will gladly assist you in finalizing this ED in any way we can.

Sincerely yours,

Chairman of the Committee on  
Public Accountant Profession,



Ditandatangani secara elektronik  
Firmansyah N. Nazaroedin



## 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:**

Indonesian Committee on Public Accountant  
Profession (Komite Profesi Akuntan Publik (KPAP))

**Organization (*where relevant*):**

Indonesian Committee on Public Accountant  
Profession (Komite Profesi Akuntan Publik (KPAP))

**Country/Region/Jurisdiction:**

Indonesia



## General Comments on Proposed ISA for LCE

Response: *In general, KPAP agrees to the content of the Proposed ISA for LCE.*

## 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: KPAP supports the decision to separate the ED-ISA for LCE from the ISAs. If auditors are given the ability to refer to the ISAs, there will be consequences, as mentioned in paragraph 28. As said in paragraph 30, although the proposed standard has been designed to help auditors with the basic requirements, KPAP also sees that further supporting guidance for the standard will be necessary to ensure the standalone nature of the ED-ISA for LCE.

- (b) The title of the proposed standard.

Response: KPAP agrees on the title of the proposed standard.

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

Response: *We believe that other matters related to ED-ISA for LCE have been addressed sufficiently in Section 4A.*

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: *KPAP agrees with the proposed conforming amendments to 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: *KPAP agrees that the Authority as presented is implementable.*

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

Response: *We believe all unintended consequences that could arise have been addressed in the proposed standard.*

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

Response: *Specific areas within the Authority are all clear.*

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

Response: *The Authority will be able to achieve the intended objective of appropriately informing stakeholders about the scoping of the proposed standard.*

- (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 proposed role of legislative or regulatory authorities of relevant local bodies with standard-setting authority in individual jurisdictions 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: We agree with the proposed limitations relating to the use of ED-ISA for LCE.

5. Regarding the Authority Supplemental Guide:

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

Response: We believe the guide is more than sufficient to help understand the Authority.

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

Response: We believe the guide has covered all the essential details.

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: The essential points regarding the Authority have been explained clearly in the ED-ISA for LCE.

#### *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:

KPAP agrees on the requirements in ED-ISA for LCE. The ED states that LCE has referred to the ISAs in fulfilling the overall objective of the auditor, which is to express an opinion based on the audit evidence obtained. This point is particularly relevant to the auditors' task to collect sufficient appropriate audit evidence as a basis for the auditor's reasonable assurance opinion.

This ED has accommodated clear restrictions on what is included in the ISA LCE and the ISAs.

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

Response:

Regarding the approach to each part of the proposed standard's objectives, KPAP agrees on what is stipulated in this ED, which states that the standard is principle-based. This arrangement is appropriate, and each country may adapt based on the circumstances of their audit and the complexity of their respective LCEs. The important thing that the auditor can understand is what needs to be accomplished in a particular case of the audit.

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

Response:

Related to professional skepticism and professional judgment, KPAP sees that the underlying concepts of professional skepticism apply in the same way as in an ISAs-based audit. This ED-ISA for LCE has also participated in the ISAs-based audit in terms of relevant ethical requirements, including independence, for financial statement audit engagements. Thus, KPAP agrees with this principle and appreciates that several changes to improve auditor's professional skepticism have referred to ISA 540 and ISA 315.

Regarding Quality Management, this ED has also required that the member of a firm be subject to the IAASB's Quality Management Standards (ISQMs) or national requirements. KPAP suggests that the regulation regarding national requirements to comply with Quality Management has minimum requirements that refer to ISQMs, so mandatory requirements are not needed. KPAP hopes that the IAASB can provide instructions to countries implementing this ISA for LCE. If the concerned countries establish national requirements, national requirements should refer to ISQMs.

- (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:

In terms of the approach of essential explanatory material of ED-ISA for LCE, the content of the EEM is sufficient. Regarding the sufficiency and presentation of EEM, the ED-ISA for LCE states that EEM does not impose a requirement or expand any requirement itself. KPAP suggests including illustrations and examples of how the standard is implemented into various conditions/situations for a more apparent reference.

#### *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:

KPAP believes that the overall design and structure of ED-ISA for LCE are sufficient. Furthermore, KPAP supports the IAASB for making the standard more understandable and applicable. Hopefully, this ED-ISA for LCE will be more effective and efficient during the implementation. We are contented that the various simplifications in the ED-ISA for LCE do not reduce audit quality nor the essence that the auditor should fulfill all requirements to complete an audit engagement.

#### *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:

- a. Part 1: Fundamental Concepts, General Principles, and Overarching Requirements

The explanation in part 1 is complete and the same as that covered in the ISAs. KPAP agrees with the ED-ISA for LCE, which has covered fundamental concepts, general principles, and overarching principles to be applied throughout the audit. KPAP appreciates that some of the changes enhance the auditor's exercise of professional skepticism referred to in ISA 540 and 315.

b. Part 2: Audit Evidence and Documentation

This part is complete, and the ED-ISA for LCE is the same as the approach to documentation in the ISAs. KPAP believes that the affirmation in paragraph 110, which requires that audit documentation be sufficient to enable an experienced auditor, having no previous experience with the audit, to understand the nature, timing, and extent of the audit procedures undertaken, is excellent.

c. Part 3: Engagement Quality Management

This part is complete and submitted to the ISA 220 (Revised).

d. Part 4: Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements

The content in this part is complete and already addresses the requirements for opening balances in initial audit engagements.

e. Part 5: Planning

The contents in part 5 are complete and according to the audit plan in the same manner as the ISAs.

f. Part 6: Risk Identification and Assessment

The content is complete and broadly covers the requirements within ISA 315 (Revised 2019).

KPAP supports that the ED-ISA for LCE includes examples or aspects of requirements that have not been retained because they are less likely to apply in circumstances where an entity is less complex. For example, some of the specific matters within the understanding of the control components and the 'stand-back' requirement to evaluate the completeness of significant classes of transactions, account balances, and disclosures where they are material. KPAP suggests that the IAASB provides more application examples in these two situations.

KPAP is satisfied that this ED has collected various specific "inquiries" of management from various standards to enable an easier understanding of the specific matters that need to be addressed

g. Part 7: Responding to Assessed Risks of Material Misstatement and Part 8: Concluding

Part 7 and 8 are complete, and KPAP agrees to the content of these parts.

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:

KPAP agrees with the content in Part 9 that is consistent with the approach used in the ISAs. KPAP suggests considering the ISA reporting standards for the relevant reporting requirements.

Regarding several of the reporting requirements in paragraph 121, KPAP agrees on the reporting requirements using the following approach:

- a. Using a specified content and format for an unmodified auditor's report.

- b. Using tables to present requirements related to the circumstances that may lead to reports modification and text used in the report where modifications occur.
- c. Using tables to present the form and content when emphasizing matter, other matter, material uncertainty related to going-concern, and other information paragraphs.
- d. Including requirements in a standard text format where the presentation is not specified above.

KPAP agrees with the approach taken in ED-ISA for LCE concerning auditor reporting requirements, including the presentation, content, and completeness of Part 9; approach to include a specified format and content of an unmodified auditor's report; and approach to providing examples of auditor's reports in the supplemental reporting guide.

KPAP appreciates that the IAASB has developed a non-authoritative guide (Supplementary Guidance – Reporting (the Reporting Supplemental Guide) to provide further guidance and examples on modifications to the auditor's report, including several complete illustrations. This guide is essential because the auditor can use guidance and examples on modifications in several cases and different conditions depending on when the auditor gets the audit evidence.

11. With regard to the Reporting Supplemental Guide:

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

Response: KPAP appreciates the IAASB for developing a non-authoritative guide (Supplementary Guidance – Reporting) to provide further guidance and examples on modifications to the reports auditor's report, including complete illustrations.

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

Response: All of the essential matters related to reporting have been explained sufficiently in the ED-ISA for LCE.

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: In KPAP's views, all areas in Part 1-9 are detailed enough.

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

Response: KPAP believes there are challenges for the transition from ISA for LCE to ISAs. Some transitions, which could impact the entity's perception of the audit process, may have to be made once the planning is complete.

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

Response: KPAP agrees with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance.

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

Response: KPAP believes early adoption should be allowed for any subsequent revisions to the standard once effective.

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

Response: KPAP believes that a separate Part on the ISA-800 series needs to be included within ED-ISA for LCE. There are several circumstances where auditors perform audits over special purpose financial statements for less complex entities. Thus, it would be better to include a separate section on the ISA-800 series in the ED-ISA for LCE.

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: KPAP believes that the proposed standard can and will be used in our jurisdiction.

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

Response: KPAP believes that the proposed standard will meet the needs of auditors, audited entities, users of audited financial statements, and other stakeholders. KPAP expects that this standard will be helpful to smaller audit practitioners who find the current set of ISAs too complex

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

Response:

The challenges in implementing the ED ISA for LCE are as follows:

- a. Determining which audit standards to choose, ISAs or ISA for LCE.
- b. Especially for group entities audits, there is a challenge whether the parent and the subsidiary companies are allowed to use different audit standards, e.g., audits for some entities use ISAs while others use ISA for LCE.

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: matters related to ED-ISA finalization are conveyed in our response in this document

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

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

Response: It is necessary to provide supplements for provisions that are deemed essential, such as those related to materiality, fraud audit, understanding and assessment of internal control, audit sampling, etc., so that the ISA for LCE will become more apparent and more complete.

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: KPAP believes there would be no potential translation issues, in Indonesia, the ED-ISA for LCE will be translated into Indonesian by the Public Accountant Professional Standard Board under the Indonesia Institute of Certified Public Accountants (IAPI).

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 agree with the proposed effective date with earlier application permitted.

### 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: KPAP considers that a group audit can be included in the ED-ISA for LCE as long as it can be identified as a less complex entity after looking at the various characteristics of the group entity.

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: N/A

(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: N/A

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

Response: N/A

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: KPAP considers that the ED-ISA for LCE better establishes qualitative characteristics (as described in paragraph 158) in determining complexity. The reason is that from these qualitative characteristics can be concluded whether group entities can be included in the less complex entity category.

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: Qualitative characteristics in determining the complexity of entities are related to company activities because often, group entities consist of several entities. However, only one or two actively carry out operational activities while the others are only holding companies or only carrying out marketing activities.

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: KPAP believes that the ED-ISA for LCE has presented the requirements for group audits in each relevant part to relate to other matters in the flow of relevant audit procedures in carrying out the audit.