

Ladies and gentlemen,

In pursuance with your kind invitation to comment of the discussion paper of Audits of Less Complex Entities I would like to present certain specific comments on the questions included in your Questions for Respondents.

### **Question 1**

Is the description appropriate for the types of entities that would be the focus of our work in relation to audits of LCEs, and are there any other characteristics that should be included?

### **Comments**

In my view, the description is appropriate as a whole. But there may appear rational to analyze some additional characteristics such as those mentioned below (see also Comments on question 5 below).

Audits of LCE must not be audits of group financial statements.

### **Question 2a**

What are the particular aspects of the ISAs that are difficult to apply?

### **Comments**

Some requirements of the ISAs are too vague. For example:

- a. ISA 240 para.13 requires that the auditor shall maintain professional skepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist, notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance.  
What actions should the auditor fulfill to prove that he really used professional skepticism throughout the audit? Maintaining professional skepticism is an overall requirement of the ISA 200 and the Code of Ethics and is it really necessary to repeat such statements in several standards?
- b. ISA 240 para.32 do not include any requirement at all and could not be fulfilled.

### **Question 2b**

Are there any other broad challenges that have not been identified that should be considered as we progress our work on audits of LCEs?

### **Comments**

Sometimes translations of ISAs into other languages are not accurate enough and misrepresent there meaning.

### **Question 4a**

For each of the possible actions (either individually or in combination):

- i. Would the possible action appropriately address the challenges that have been identified?
- ii. What could the implications or consequences be if the possible action(s) is undertaken? This may include if, in your view, it would not be appropriate to pursue a particular possible action, and why.

### **Comments**

As the problems of LCE audits concern only several ISAs there may be irrational to revise all of the ISAs as a substantial project. Using so-called building-block approach would not help in making the ISAs clearer. It would only increase their length and make them more voluminous. Developing Guidance for Auditors of LCEs or Other Related Actions is not a good solution of the problem too. Regulation authorities would not use it in their control activities and would demand using all the requirements of the ISAs in full.

So developing a separate auditing standard for audits of LCEs may appear the most reasonable variant. As to my mind it concerns mostly such section as ISAs 300-499 and several others it may appear rational to develop a separate auditing standard complementing this very section of the ISAs.

#### **Question 4c**

In your view, what possible actions should be pursued by us as a priority, and why? This may include one or more of the possible actions, or aspects of those actions, set out in Section III, or noted in response to 4b above.

#### **Comments**

Some actions may include such steps as refinement of the characteristics of LCE, determination characteristics of audits of LCEs, determination of the ISAs concerned, determination of the paragraphs of these ISAs concerned and developing a separate auditing standard for audits of LCEs.

#### **Question 5**

Are there any other matters that should be considered by us as we deliberate on the way forward in relation to audits of LCEs?

#### **Comments**

For purposes of specific considerations there may appear rational to treat characteristics of LCE in connection with characteristics of their audits such as:

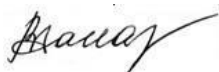
Few personnel (for example a sole auditor or may be no more than two auditors and assistant);

The auditor does not plan to rely on internal control;

Limited use of sampling technique and nearly 100% examination etc.

Hope the comments above will be instrumental for you.

Best regards,



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