

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?

Answer: We agree that the proposed rule is independent from the rest of the ISAs.

(b) The title of the proposed standard.

Answer: We have no comments on this matter.

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

Answer: We have no additional comments.

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 to modify the preface if the proposed rule is approved.

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?

Answer: Although we recognize that defining LCE is a complex task, the authority of the standard should start from such a definition. Rather, authority is defined by limitations and prohibitions. It may be a pragmatic strategy, but we consider it methodologically incorrect.

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

Answer: We consider that section A.8. (qualitative characteristics) of the draft standard has a high degree of subjectivity that can complicate the implementation and assign excessive responsibility in the evaluation.

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

Answer: We believe that sections A.8. and A.9. they are difficult to implement and highly discretionary.

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

Answer: Probably yes

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

Answer: We understand that yes

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.

Answer: We do not have comments on the specific prohibitions (sections A.5. To A.7.) Our comments on the qualitative characteristics are in the previous answers (A.8. And A.9.)

5. Regarding the Authority Supplemental Guide:

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

Answer: We find the guide very helpful in better understanding the exposure draft as well as in interpreting the challenges it presents.

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

Answer: We have not identified other aspects to include.

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

Answer: We consider that the description of the qualitative characteristics that could prevent the use of the ISA for EMC for the audit of the financial statements of the entity is not sufficient to give certainty to the auditor that his decision has been correct, and could generate difficulties in opportunity to have to defend your decision in the face of a third party requirement or in the face of complex situations that do not exist or are not noticed at the beginning of the audit that will force you to rethink not only future procedures but also the adaptation of those already carried out.

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.40 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).

Answer: They are considered adequate

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

Answer: They are considered reasonable. However, the possibility that the objectives of many topics under the LCE standards are broader than those that would be found in the ISAs should be an exception.

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

Answer: The statement that skepticism and professional judgment, as well as relevant ethical requirements and quality management will be similar to those that would apply to a firm applying ISAs and that the objectives of many topics may be broader than in the ISA can be considered as logical, it goes against the proper differentiation between an audit in an LCE entity and an entity that is not.

(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.

Answer: It is considered 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 and structure that follow the flow of an audit is considered a highly favorable finding. However, the express recognition that it is not anticipated that the ED-ISA for LCE will necessarily reduce the basic procedures could make the auditors doubt about the supposed advantages of adopting this pronouncement that, in addition, adds important risks when it comes to define whether or not your client is a less complex entity, or if, as a consequence of encountering complexities during the audit, you should rethink the procedures carried out up to that point when finding evidence that prevents the entity from being considered a less complex entity

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.

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.

11. With regard to the Reporting Supplemental Guide:

- (a) Is the support material helpful, and if not, why not?
 - (b) Are there any other matters that should be included in relation to reporting?
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.

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?

Answer: There are no challenges other than those described. We believe that the greatest challenge is determining that the ISA for LCE is appropriate for the audit engagement, in conjunction with the application of professional judgment in planning and executing the audit.

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

Answer: Reference guides, with examples that facilitate the approach to these indicated topics.

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

Answer: We consider the proposed approach for future updates and maintenance of the Standard and related supplemental guidance adequate. We consider that by means of reference guides, guidelines can be established that indicate with greater precision how to evaluate the application of the standard in the corresponding entities.

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

Answer: We consider it appropriate to allow early adoption.

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

Answer: This standard could be used in our country, although we consider that the probabilities of its use are low, given that there is a national auditing standard that is widely used by auditors and the ISAs, which are used by company auditors. that apply IFRS on a mandatory basis and in those companies that voluntarily adopt ISAs.

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

Answer: We believe that ED-ISA for LCE does meet the needs of different users so that an auditor can obtain reasonable assurance to express an audit opinion.

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

Answer: The biggest challenge is to visualize the usefulness of its implementation, because in those jurisdictions where the full ISAs and local auditing standards are in force, accepting the validity of another regulatory body of this scope may be unattractive. In addition, it does not substantially reduce the work or the effort to carry out a quality audit.

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?

Answer: We do not find another matter that should be considered beyond what is discussed in it.

Section 4G - Approach to Consultation and Finalization

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

Answer: The level of professional judgment required according to the current wording of the standard is still very high. Although paragraphs 44 to 48 of the Explanatory Memorandum clearly describe the objective of achieving a balance between a prescriptive approach to the standard and the application of

professional judgment, embodied in a scheme with the specific identification of a set of entities for which The use of the standard is prohibited, and another with "qualitative" characteristics that would exclude them if verified, the intention is frustrated in the wording of paragraphs A8 and particularly due to the ambiguity of paragraph A9 of the standard, even more so, taking into account that possibly its greatest application is in this last group of entities.

The complexity of "defining the complex" does not seem to be overcome and professional judgment remains as the main component when deciding whether or not to apply.

A more prescriptive approach would be useful in the standard or through other pronouncements that guide the professional when deciding whether or not to apply it, describing specific characteristics that, if evidenced in an entity, would exclude it from its 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.

Answer: Possible translation problems are not detected.

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.

Answer: In principle, yes, since the standard does not add new questions but rather synthesizes existing ones. In this sense, 18 months seems a more than prudent term. However, if the criterion of paragraph A9 is maintained, the application in different environments could require clarifying local pronouncements, and in that case the term will be insufficient, although it could be subject to the moment of adoption.

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.

Answer: The a priori exclusion of its application for groups does not seem appropriate, since not all groups show a degree of complexity that implies excluding the application of the norm.

In short, defining the complexity indicators for a group in an exhaustive way, or with the least possible degree of subjectivity, would facilitate their application, since if they are chosen to be used, matters related to the group's financial statements, which potentially could affect the complexity of the audit stated in paragraph 158 of the explanatory memorandum (EM), require a high commitment of professional judgment such as: The structure and complexity of

the IT environment and the IT systems of the group or, Ownership and relationships between owners and other persons or entities, including related parties, to name a few.

In this sense, the alternative of paragraph 163 (a) of the MA we consider that it is appropriate, since it falls to the IAASB, the definition of complexity substitutes through specific prohibitions that could complement the different jurisdictions, tending to avoid in this way, the use of professional judgment when discerning whether or not to apply the standard.

These indicators are probably more complex to define for a group than for an individual case, since not all the components of the group necessarily have the same characteristics and environments.

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

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.

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?

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.