

#3

INCOMPLETE

Collector: Web Link 1 (Web Link)
Started: Wednesday, June 26, 2019 7:49:56 PM
Last Modified: Wednesday, June 26, 2019 7:59:14 PM
Time Spent: 00:09:17

Page 2: Section A: Respondent Information

Q1 Contact Information

Name:	Andreas Giannakis
Organization:	Stein, Jacobs, Krolik
Title	Partner
Email:	agiannakis@sjk.ca
Telephone Number:	15149532187

Q2 All comments received will be posted on the AASB website, unless confidentiality is requested below.	Respondent skipped this question
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Q3 What is your primary province/place of practice?	Quebec
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Q4 Which category describes the stakeholder type you represent?	Public accounting firm
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Q5 Which of the following describes the size of your firm?	6-10 Partners
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Q6 What approximate percentage of your existing practice is comprised of performing audit engagements?	25% < 50%
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Q7 Have you seen a change in the amount of audit engagements you provide today from say, 5 years ago? If so, to what extent?	<p>Significant decrease, Please explain the reason(s) for your response to question 7: CICA standards have led to a struggle between cost benefit and needs. Many clients have been talked out of audits due to the risk they pose and the amount of compliance work needed. Clients have been asked to talk to the banks (mostly users of FS) to see if able to bring down assurance needs from audits to reviews.</p>
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Page 3: Section B: Description of less complex entities

Q8 In your view, is the description of Less Complex Entities (LCEs) appropriate for the types of entities that would be the focus of your work?

Yes, but there are other characteristics that should be included (PLEASE SPECIFY IN THE TEXT BOX BELOW)

,
Other characteristics that should be included in the description of LCE::

These companies do not have audit committees or board of directors. These companies are not public and do not have many users of the financials.

Q9 In your practice, how does an audit of a less complex entity differ from that of a more complex entity?

Our office uses ASPE on all our audits and reviews and does not have any audits that use IFRS

Page 4: Section C: Challenges related to audits of LCEs

Q10 In your experience, what are the aspects of the CASs that are difficult to apply? It would be most helpful if your answer includes references to the specific CASs and the requirements in these CASs that are most problematic in an audit of an LCE.

Respondent skipped this question

Q11 In relation to question 1 above, in your view, what is the underlying cause(s) of these challenges and how have you managed or addressed these challenges?

Respondent skipped this question

Q12 Are there any other broad challenges in relation to audits of LCEs that have not been identified in Section II of the IAASB's discussion paper that should be considered as we progress our work on audits of LCEs?

Respondent skipped this question

Page 5: Section D: Challenges not within our control or within the scope of our work

Q13 Factors that may impact the audit environment of LCEsThe table below includes factors that may impact the audit environment of LCEs, but which do not fall within the remit of international standard-setting (as set out in Section II of the Discussion Paper). If the IAASB was to focus on encouraging others to act with regard to these factors, on a scale of 1 to 5 where 1 represents "Not important" and 5 represents "Extremely important," please specify where the focus should be.

Respondent skipped this question

Q14 Exploratory Activities Scoped Out of this Project The table below includes exploratory activities that have been identified as being out of scope for this project (as set out in Section II of the Discussion Paper). If the IAASB was to focus on encouraging others to act with regard to these activities, on a scale of 1 to 5 where 1 represents “Not important” and 5 represents “Extremely important,” please specify where the focus should be.

Respondent skipped this question

Page 6: Section E: Possible actions to be explored

Q15 POSSIBLE ACTIONS On a scale of 1 to 5, where 1 represents “Strongly disagree” and 5 represents “Strongly agree,” please indicate your level of agreement whether each of the possible actions in the table below would appropriately address the challenges that have been identified.

Respondent skipped this question

Q16 Please specify the implications or consequences of revising the CASs

Respondent skipped this question

Q17 Please specify the implications or consequences of developing a separate auditing standard for audits of LCEs

Respondent skipped this question

Q18 Please specify the implications or consequences of developing guidance for auditors of LCEs or other related actions

Respondent skipped this question

Q19 Are there any other possible actions that have not been identified that should be considered as we progress our work on audits of LCEs?

Respondent skipped this question

Q20 On a scale of 1 to 5, where 1 represents “Not important” and 5 represents “Extremely important,” please specify what possible actions should be pursued by us as a priority? Please provide your reason(s). Your suggestion may include one or more of the possible actions, or aspects of those actions, set out in Section III of the discussion paper, or noted in response to the preceding question.

Respondent skipped this question

Page 7: Section F: Other matters

Q21 Are there any other matters that should be considered by the IAASB as they deliberate on the way forward in relation to audits of LCEs?

Respondent skipped this question

Q22 Are there any Canadian specific matters that should be considered by the AASB as we deliberate the on the way forward in relation to audits of LCEs? **Respondent skipped this question**

#4

INCOMPLETE

Collector: Web Link 1 (Web Link)
Started: Saturday, June 29, 2019 11:53:36 PM
Last Modified: Sunday, June 30, 2019 12:06:33 AM
Time Spent: 00:12:56

Page 2: Section A: Respondent Information

Q1 Contact Information

Name:	Michael Eil
Organization:	Michael F. Eil, Chartered Professional Accountant
Title	Proprietor
Email:	mfecga@gmail.com
Telephone Number:	6047603624

Q2 All comments received will be posted on the AASB website, unless confidentiality is requested below.	Respondent skipped this question
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Q3 What is your primary province/place of practice?	British Columbia
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Q4 Which category describes the stakeholder type you represent?	Public accounting firm
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Q5 Which of the following describes the size of your firm?	Sole Practitioner
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Q6 What approximate percentage of your existing practice is comprised of performing audit engagements?	1% < 25%
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Q7 Have you seen a change in the amount of audit engagements you provide today from say, 5 years ago? If so, to what extent?	Significant decrease, Please explain the reason(s) for your response to question 7: Less audits being requested, big firms taking over this sector
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Page 3: Section B: Description of less complex entities

Q8 In your view, is the description of Less Complex Entities (LCEs) appropriate for the types of entities that would be the focus of your work? **Yes**

Q9 In your practice, how does an audit of a less complex entity differ from that of a more complex entity?

Revenue, Staff and complexity of transactions

Page 4: Section C: Challenges related to audits of LCEs

Q10 In your experience, what are the aspects of the CASs that are difficult to apply? It would be most helpful if your answer includes references to the specific CASs and the requirements in these CASs that are most problematic in an audit of an LCE.

265, 260, 330

Q11 In relation to question 1 above, in your view, what is the underlying cause(s) of these challenges and how have you managed or addressed these challenges?

Small organizations do not normally have controls or a proper governance structure. Discussions with management that are documented in memos

Q12 Are there any other broad challenges in relation to audits of LCEs that have not been identified in Section II of the IAASB's discussion paper that should be considered as we progress our work on audits of LCEs? **No**

Page 5: Section D: Challenges not within our control or within the scope of our work

Q13 Factors that may impact the audit environment of LCEs
The table below includes factors that may impact the audit environment of LCEs, but which do not fall within the remit of international standard-setting (as set out in Section II of the Discussion Paper). If the IAASB was to focus on encouraging others to act with regard to these factors, on a scale of 1 to 5 where 1 represents "Not important" and 5 represents "Extremely important," please specify where the focus should be. **Respondent skipped this question**

Q14 Exploratory Activities Scoped Out of this Project
The table below includes exploratory activities that have been identified as being out of scope for this project (as set out in Section II of the Discussion Paper). If the IAASB was to focus on encouraging others to act with regard to these activities, on a scale of 1 to 5 where 1 represents "Not important" and 5 represents "Extremely important," please specify where the focus should be. **Respondent skipped this question**

Page 6: Section E: Possible actions to be explored

Q15 POSSIBLE ACTIONS On a scale of 1 to 5, where 1 represents “Strongly disagree” and 5 represents “Strongly agree,” please indicate your level of agreement whether each of the possible actions in the table below would appropriately address the challenges that have been identified. **Respondent skipped this question**

Q16 Please specify the implications or consequences of revising the CASs **Respondent skipped this question**

Q17 Please specify the implications or consequences of developing a separate auditing standard for audits of LCEs **Respondent skipped this question**

Q18 Please specify the implications or consequences of developing guidance for auditors of LCEs or other related actions **Respondent skipped this question**

Q19 Are there any other possible actions that have not been identified that should be considered as we progress our work on audits of LCEs? **Respondent skipped this question**

Q20 On a scale of 1 to 5, where 1 represents “Not important” and 5 represents “Extremely important,” please specify what possible actions should be pursued by us as a priority? Please provide your reason(s). Your suggestion may include one or more of the possible actions, or aspects of those actions, set out in Section III of the discussion paper, or noted in response to the preceding question. **Respondent skipped this question**

Page 7: Section F: Other matters

Q21 Are there any other matters that should be considered by the IAASB as they deliberate on the way forward in relation to audits of LCEs? **Respondent skipped this question**

Q22 Are there any Canadian specific matters that should be considered by the AASB as we deliberate the on the way forward in relation to audits of LCEs? **Respondent skipped this question**

#6

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Friday, July 05, 2019 5:59:19 PM
Last Modified: Friday, July 05, 2019 6:22:54 PM
Time Spent: 00:23:34

Page 2: Section A: Respondent Information

Q1 Contact Information

Name:	Catherine McLean
Organization:	McLean, Lizotte, Wheadon and Co
Title	Partner
Email:	cmclean@mlwaccounting.ca
Telephone Number:	250-475-3000

Q2 All comments received will be posted on the AASB website, unless confidentiality is requested below.	Respondent skipped this question
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Q3 What is your primary province/place of practice?	British Columbia
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Q4 Which category describes the stakeholder type you represent?	Public accounting firm
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Q5 Which of the following describes the size of your firm?	2-5 Partners
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Q6 What approximate percentage of your existing practice is comprised of performing audit engagements?	1% < 25%
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Q7 Have you seen a change in the amount of audit engagements you provide today from say, 5 years ago? If so, to what extent?	Moderate increase, Please explain the reason(s) for your response to question 7: New partner likes this work so we have conscientiously been seeking it.
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Page 3: Section B: Description of less complex entities

Q8 In your view, is the description of Less Complex Entities (LCEs) appropriate for the types of entities that would be the focus of your work? **Yes**

Q9 In your practice, how does an audit of a less complex entity differ from that of a more complex entity?

The general ledger can be scrutinized almost 100%.

Page 4: Section C: Challenges related to audits of LCEs

Q10 In your experience, what are the aspects of the CASs that are difficult to apply? It would be most helpful if your answer includes references to the specific CASs and the requirements in these CASs that are most problematic in an audit of an LCE.

Determining which type of audit engagement a entity requires. Even a file reviewer and CPA BC could not decide. Also - presentation choices.

Q11 In relation to question 1 above, in your view, what is the underlying cause(s) of these challenges and how have you managed or addressed these challenges?

Too many types of audit engagements. More sample financial statements would be helpful.

Q12 Are there any other broad challenges in relation to audits of LCEs that have not been identified in Section II of the IAASB's discussion paper that should be considered as we progress our work on audits of LCEs?

Yes (PLEASE SPECIFY IN THE TEXT BOX BELOW)

Please specify your reasoning:

Simply the checklist. Don't ask the same question 5 different ways and on every balance sheet item.

Page 5: Section D: Challenges not within our control or within the scope of our work

Q13 Factors that may impact the audit environment of LCEsThe table below includes factors that may impact the audit environment of LCEs, but which do not fall within the remit of international standard-setting (as set out in Section II of the Discussion Paper). If the IAASB was to focus on encouraging others to act with regard to these factors, on a scale of 1 to 5 where 1 represents "Not important" and 5 represents "Extremely important," please specify where the focus should be.

Legal and other requirements for an audit	5
Commercial considerations relating to an audit	4
Technology/methodology that may help with the application of the auditing standards	3
Education and people	4

Q14 Exploratory Activities Scoped Out of this Project The table below includes exploratory activities that have been identified as being out of scope for this project (as set out in Section II of the Discussion Paper). If the IAASB was to focus on encouraging others to act with regard to these activities, on a scale of 1 to 5 where 1 represents “Not important” and 5 represents “Extremely important,” please specify where the focus should be.

Developing standards for engagements other than audits Comment:	4 some standards are the same, no matter what the engagement is.
Enhancing the accessibility of auditing standards in electronic format Comment:	3 The simpler the better. The search engine is weak.
Exploring the value of an audit Comment:	1 If an audit is required, it is required.
Exploring the gap in public expectations of what the auditor does and what the auditor is expected to do Comment:	1 The auditor will educate the client.

Page 6: Section E: Possible actions to be explored

Q15 POSSIBLE ACTIONS On a scale of 1 to 5, where 1 represents “Strongly disagree” and 5 represents “Strongly agree,” please indicate your level of agreement whether each of the possible actions in the table below would appropriately address the challenges that have been identified.

Revising the CASs Comment:	3 Simplify, simplify, simplify.
Developing a separate auditing standard for audits of LCEs Comment:	5 For LCEs ensure the G/L is reviewed 99% and reduce the checklists.
Developing guidance for auditors of LCEs Comment:	1 Once a CPA, you can do anything (that is what I was taught and live by). If a CPA needs help, they need to know when to ask for it.

Q16 Please specify the implications or consequences of revising the CASs

More sample financial statements.

Q17 Please specify the implications or consequences of developing a separate auditing standard for audits of LCEs

Reduced checklists.

Q18 Please specify the implications or consequences of developing guidance for auditors of LCEs or other related actions

Ensure new auditors of LCEs work collaboratively with an experienced auditor.

Q19 Are there any other possible actions that have not been identified that should be considered as we progress our work on audits of LCEs?

Whatever becomes the requirement, needs to be understood in lay terms (by the general public). You shouldn't have to be a CPA to understand the FS.

Q20 On a scale of 1 to 5, where 1 represents "Not important" and 5 represents "Extremely important," please specify what possible actions should be pursued by us as a priority? Please provide your reason(s). Your suggestion may include one or more of the possible actions, or aspects of those actions, set out in Section III of the discussion paper, or noted in response to the preceding question.

Revising the CASs

Comment:

No response

this seems like a repeat question of the above

Page 7: Section F: Other matters

Q21 Are there any other matters that should be considered by the IAASB as they deliberate on the way forward in relation to audits of LCEs?

Nothing comes to mind

Q22 Are there any Canadian specific matters that should be considered by the AASB as we deliberate the on the way forward in relation to audits of LCEs?

Nothing comes to mind

#10

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Monday, July 22, 2019 9:12:57 AM
Last Modified: Monday, July 22, 2019 9:37:20 AM
Time Spent: 00:24:23

Page 2: Section A: Respondent Information

Q1 Contact Information

Name: Mike Cowan
Organization: BDO Canada LLP
Title: Partner
Email: mcowan@bdo.ca
Telephone Number: 519-776-6488

Q2 All comments received will be posted on the AASB website, unless confidentiality is requested below. **Respondent skipped this question**

Q3 What is your primary province/place of practice? **Ontario**

Q4 Which category describes the stakeholder type you represent? **Public accounting firm**

Q5 Which of the following describes the size of your firm? **20+ Partners**

Q6 What approximate percentage of your existing practice is comprised of performing audit engagements? **1% < 25%**

Q7 Have you seen a change in the amount of audit engagements you provide today from say, 5 years ago? If so, to what extent? **Low or No Change,**
Please explain the reason(s) for your response to question 7:
We've lost a few smaller engagements and picked up a few medium to larger engagements - overall, our audit hours and # of files have been fairly consistent

Page 3: Section B: Description of less complex entities

Q8 In your view, is the description of Less Complex Entities (LCEs) appropriate for the types of entities that would be the focus of your work? **Yes**

Q9 In your practice, how does an audit of a less complex entity differ from that of a more complex entity?

More substantive testing - we often audit close to 100% of certain sections of the audit file as it can sometimes be very straightforward to do so - usually the issue is no or very little internal controls mostly due to having so few people on staff

Page 4: Section C: Challenges related to audits of LCEs

Q10 In your experience, what are the aspects of the CASs that are difficult to apply? It would be most helpful if your answer includes references to the specific CASs and the requirements in these CASs that are most problematic in an audit of an LCE.

Still need to do all of the legwork - we can understand the client much more quickly and easily, but we still need to document very many things and often say N/A or not relevant due to the simple nature of the client and it's operations

Q11 In relation to question 1 above, in your view, what is the underlying cause(s) of these challenges and how have you managed or addressed these challenges?

We usually work through the forms we have to complete and either do a memo where allowed to cover off these items in a quick concise way or put what we need to in the file and move one

Q12 Are there any other broad challenges in relation to audits of LCEs that have not been identified in Section II of the IAASB's discussion paper that should be considered as we progress our work on audits of LCEs? **No**

Page 5: Section D: Challenges not within our control or within the scope of our work

Q13 Factors that may impact the audit environment of LCEsThe table below includes factors that may impact the audit environment of LCEs, but which do not fall within the remit of international standard-setting (as set out in Section II of the Discussion Paper). If the IAASB was to focus on encouraging others to act with regard to these factors, on a scale of 1 to 5 where 1 represents "Not important" and 5 represents "Extremely important," please specify where the focus should be.

Legal and other requirements for an audit	4
Commercial considerations relating to an audit	1
Technology/methodology that may help with the application of the auditing standards	4
Education and people	4

Q14 Exploratory Activities Scoped Out of this Project The table below includes exploratory activities that have been identified as being out of scope for this project (as set out in Section II of the Discussion Paper). If the IAASB was to focus on encouraging others to act with regard to these activities, on a scale of 1 to 5 where 1 represents “Not important” and 5 represents “Extremely important,” please specify where the focus should be.

Developing standards for engagements other than audits	3
Enhancing the accessibility of auditing standards in electronic format	3
Exploring the value of an audit	4
Exploring the gap in public expectations of what the auditor does and what the auditor is expected to do	4

Page 6: Section E: Possible actions to be explored

Q15 POSSIBLE ACTIONS On a scale of 1 to 5, where 1 represents “Strongly disagree” and 5 represents “Strongly agree,” please indicate your level of agreement whether each of the possible actions in the table below would appropriately address the challenges that have been identified.

Revising the CASs	1
Comment:	The CASs are pretty good - a second layer makes more sense
Developing a separate auditing standard for audits of LCEs	5
Developing guidance for auditors of LCEs	4

Q16 Please specify the implications or consequences of revising the CASs

I feel like we are settling nicely into CASs and another change would disrupt things

Q17 Please specify the implications or consequences of developing a separate auditing standard for audits of LCEs

I understand that it means more than one set of standards again, but I think LCEs are different and rules can be different when entities are different

Q18 Please specify the implications or consequences of developing guidance for auditors of LCEs or other related actions

It could make it look like a lower-class audit, but again, if done right and makes sense, then it shouldn't matter

Q19 Are there any other possible actions that have not been identified that should be considered as we progress our work on audits of LCEs?

Not sure

Q20 On a scale of 1 to 5, where 1 represents “Not important” and 5 represents “Extremely important,” please specify what possible actions should be pursued by us as a priority? Please provide your reason(s). Your suggestion may include one or more of the possible actions, or aspects of those actions, set out in Section III of the discussion paper, or noted in response to the preceding question.

Revising the CASs	1
Comment:	Similar to comments above
Developing a separate auditing standard for audits of LCEs	4
Developing guidance for auditors of LCEs or Other Related Actions	4
Other solution(s) – please describe	3
Comment:	Not sure

Page 7: Section F: Other matters

Q21 Are there any other matters that should be considered by the IAASB as they deliberate on the way forward in relation to audits of LCEs?

Not sure

Q22 Are there any Canadian specific matters that should be considered by the AASB as we deliberate the on the way forward in relation to audits of LCEs?

I don't think so

#18

INCOMPLETE

Collector: Web Link 1 (Web Link)
Started: Wednesday, August 14, 2019 4:00:33 PM
Last Modified: Wednesday, August 14, 2019 4:08:36 PM
Time Spent: 00:08:03

Page 2: Section A: Respondent Information

Q1 Contact Information

Name: **Connie Minish**
Organization: **Deborah A. Tovell Professional Corporation**
Title **Accounting Technician**
Email: **conni.dt@telus.net**
Telephone Number: **780-853-2801**

Q2 All comments received will be posted on the AASB website, unless confidentiality is requested below. **Respondent skipped this question**

Q3 What is your primary province/place of practice? **Alberta**

Q4 Which category describes the stakeholder type you represent? **Public accounting firm**

Q5 Which of the following describes the size of your firm? **Sole Practitioner**

Q6 What approximate percentage of your existing practice is comprised of performing audit engagements? **1% < 25%**

Q7 Have you seen a change in the amount of audit engagements you provide today from say, 5 years ago? If so, to what extent? **Low or No Change**

Page 3: Section B: Description of less complex entities

Q8 In your view, is the description of Less Complex Entities (LCEs) appropriate for the types of entities that would be the focus of your work? **Yes**

Q9 In your practice, how does an audit of a less complex entity differ from that of a more complex entity?

No the audit of both are treated the same.

Page 4: Section C: Challenges related to audits of LCEs

Q10 In your experience, what are the aspects of the CASs that are difficult to apply? It would be most helpful if your answer includes references to the specific CASs and the requirements in these CASs that are most problematic in an audit of an LCE.

Respondent skipped this question

Q11 In relation to question 1 above, in your view, what is the underlying cause(s) of these challenges and how have you managed or addressed these challenges?

Respondent skipped this question

Q12 Are there any other broad challenges in relation to audits of LCEs that have not been identified in Section II of the IAASB's discussion paper that should be considered as we progress our work on audits of LCEs?

Respondent skipped this question

Page 5: Section D: Challenges not within our control or within the scope of our work

Q13 Factors that may impact the audit environment of LCEs The table below includes factors that may impact the audit environment of LCEs, but which do not fall within the remit of international standard-setting (as set out in Section II of the Discussion Paper). If the IAASB was to focus on encouraging others to act with regard to these factors, on a scale of 1 to 5 where 1 represents "Not important" and 5 represents "Extremely important," please specify where the focus should be.

Respondent skipped this question

Q14 Exploratory Activities Scoped Out of this Project The table below includes exploratory activities that have been identified as being out of scope for this project (as set out in Section II of the Discussion Paper). If the IAASB was to focus on encouraging others to act with regard to these activities, on a scale of 1 to 5 where 1 represents "Not important" and 5 represents "Extremely important," please specify where the focus should be.

Respondent skipped this question

Page 6: Section E: Possible actions to be explored

Q15 POSSIBLE ACTIONS On a scale of 1 to 5, where 1 represents “Strongly disagree” and 5 represents “Strongly agree,” please indicate your level of agreement whether each of the possible actions in the table below would appropriately address the challenges that have been identified. **Respondent skipped this question**

Q16 Please specify the implications or consequences of revising the CASs **Respondent skipped this question**

Q17 Please specify the implications or consequences of developing a separate auditing standard for audits of LCEs **Respondent skipped this question**

Q18 Please specify the implications or consequences of developing guidance for auditors of LCEs or other related actions **Respondent skipped this question**

Q19 Are there any other possible actions that have not been identified that should be considered as we progress our work on audits of LCEs? **Respondent skipped this question**

Q20 On a scale of 1 to 5, where 1 represents “Not important” and 5 represents “Extremely important,” please specify what possible actions should be pursued by us as a priority? Please provide your reason(s). Your suggestion may include one or more of the possible actions, or aspects of those actions, set out in Section III of the discussion paper, or noted in response to the preceding question. **Respondent skipped this question**

Page 7: Section F: Other matters

Q21 Are there any other matters that should be considered by the IAASB as they deliberate on the way forward in relation to audits of LCEs? **Respondent skipped this question**

Q22 Are there any Canadian specific matters that should be considered by the AASB as we deliberate the on the way forward in relation to audits of LCEs? **Respondent skipped this question**

#21

COMPLETE

Collector: Web Link 1 (Web Link)
Started: Wednesday, August 14, 2019 10:04:09 PM
Last Modified: Wednesday, August 14, 2019 10:14:49 PM
Time Spent: 00:10:40

Page 2: Section A: Respondent Information

Q1 Contact Information

Name:	Karl Baillargeon
Organization:	Groupe Gestion Globale inc.
Title	Associé
Email:	karl.baillargeon@ggglobale.com
Telephone Number:	450-934-0410

Q2 All comments received will be posted on the AASB website, unless confidentiality is requested below.	Respondent skipped this question
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Q3 What is your primary province/place of practice?	Quebec
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Q4 Which category describes the stakeholder type you represent?	Public accounting firm
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Q5 Which of the following describes the size of your firm?	2-5 Partners
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Q6 What approximate percentage of your existing practice is comprised of performing audit engagements?	1% < 25%
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Q7 Have you seen a change in the amount of audit engagements you provide today from say, 5 years ago? If so, to what extent?	Significant decrease, Please explain the reason(s) for your response to question 7: Notre cabinet ne fait aucune audit, seulement des missions d'examen
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Page 3: Section B: Description of less complex entities

Q8 In your view, is the description of Less Complex Entities (LCEs) appropriate for the types of entities that would be the focus of your work? **In-part**

Q9 In your practice, how does an audit of a less complex entity differ from that of a more complex entity?

Très peu de différence, autre que d'enlever le nombre de contrôle que nous devons faire pour arriver à nos fins comptables pour donner une image fidèle des états financiers. Lorsque l'actionnaire principal est le principal utilisateur ainsi que les banques, les chiffres et leur preuves doivent être bien établis ainsi que les éléments probants, mais dans le contrôle de cette qualité fait à l'interne de l'entreprise c'est probablement à ce niveau la grande différence.

Page 4: Section C: Challenges related to audits of LCEs

Q10 In your experience, what are the aspects of the CASs that are difficult to apply? It would be most helpful if your answer includes references to the specific CASs and the requirements in these CASs that are most problematic in an audit of an LCE. **Respondent skipped this question**

Q11 In relation to question 1 above, in your view, what is the underlying cause(s) of these challenges and how have you managed or addressed these challenges? **Respondent skipped this question**

Q12 Are there any other broad challenges in relation to audits of LCEs that have not been identified in Section II of the IAASB's discussion paper that should be considered as we progress our work on audits of LCEs? **Respondent skipped this question**

Page 5: Section D: Challenges not within our control or within the scope of our work

Q13 Factors that may impact the audit environment of LCEs The table below includes factors that may impact the audit environment of LCEs, but which do not fall within the remit of international standard-setting (as set out in Section II of the Discussion Paper). If the IAASB was to focus on encouraging others to act with regard to these factors, on a scale of 1 to 5 where 1 represents "Not important" and 5 represents "Extremely important," please specify where the focus should be.

Legal and other requirements for an audit	4
Commercial considerations relating to an audit	4
Technology/methodology that may help with the application of the auditing standards	4
Education and people	2

Q14 Exploratory Activities Scoped Out of this Project The table below includes exploratory activities that have been identified as being out of scope for this project (as set out in Section II of the Discussion Paper). If the IAASB was to focus on encouraging others to act with regard to these activities, on a scale of 1 to 5 where 1 represents “Not important” and 5 represents “Extremely important,” please specify where the focus should be.

Developing standards for engagements other than audits	3
Enhancing the accessibility of auditing standards in electronic format	3
Exploring the value of an audit	3
Exploring the gap in public expectations of what the auditor does and what the auditor is expected to do	3

Page 6: Section E: Possible actions to be explored

Q15 POSSIBLE ACTIONS On a scale of 1 to 5, where 1 represents “Strongly disagree” and 5 represents “Strongly agree,” please indicate your level of agreement whether each of the possible actions in the table below would appropriately address the challenges that have been identified.

Revising the CASs	3
Developing a separate auditing standard for audits of LCEs	4
Developing guidance for auditors of LCEs	4

Q16 Please specify the implications or consequences of revising the CASs

pour bien encadré l'application des normes et surtout facilité leur application en lien avec le domaine de complexité de l'entité

Q17 Please specify the implications or consequences of developing a separate auditing standard for audits of LCEs

pour mieux encadré la pratique et facilité le travail, puisque le client ne veut pas payer pour du travail non nécessaire à son entreprise.

Q18 Please specify the implications or consequences of developing guidance for auditors of LCEs or other related actions **Respondent skipped this question**

Q19 Are there any other possible actions that have not been identified that should be considered as we progress our work on audits of LCEs?

L'important est la concordance des chiffres avec les pièces justificative réelle du client confirmé par ce dernier au delà des contrôle de qualité et d'audit. Bien entendu l'encadrement pour trouver les risques de fraudes ou d'image non fidèle doivent reste présente et bien élaboré.

Q20 On a scale of 1 to 5, where 1 represents “Not important” and 5 represents “Extremely important,” please specify what possible actions should be pursued by us as a priority? Please provide your reason(s). Your suggestion may include one or more of the possible actions, or aspects of those actions, set out in Section III of the discussion paper, or noted in response to the preceding question.

Revising the CASs	3
Developing a separate auditing standard for audits of LCEs	4
Developing guidance for auditors of LCEs or Other Related Actions	4

Page 7: Section F: Other matters

Q21 Are there any other matters that should be considered by the IAASB as they deliberate on the way forward in relation to audits of LCEs? Respondent skipped this question

Q22 Are there any Canadian specific matters that should be considered by the AASB as we deliberate the on the way forward in relation to audits of LCEs? Respondent skipped this question

August 12, 2019

Eric Turner, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

Re: Discussion Paper (DP): Audits of Less Complex Entities

Thank you for the opportunity to comment on the Discussion Paper (“DP”).

MNP LLP (“MNP”) is one of Canada’s largest chartered professional accountancy and business advisory firms. Our clients include small to mid-size owner-managed businesses in agriculture, agribusiness, retail and manufacturing as well as credit unions, co-operatives, Indigenous communities and businesses, medical and legal professionals, not-for-profit organizations, municipalities, government entities, and publicly traded companies. We believe that we are well positioned to provide feedback on this discussion paper.

We have reviewed the IAASBs DP on Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs and have provided our responses to the specific questions, below, in addition to commenting on the importance to Canadian stakeholders.

AASB Component – Unique Canadian Circumstances

We agree that it is important to continue to align with the International Standards on Auditing while preserving the quality of Canadian Auditing Standards and meeting the needs of Canadian stakeholders. The Canadian audit environment differs from international audit environments in both the average size of an audit and the perceived complexity level. The criteria (and possible future guidance) for classifying a less complex entity (“LCE”) should be clarified to indicate whether complexity is considered standard among international jurisdictions or is relative within a local jurisdiction.

International Auditing and Assurance Standards Board (“IAASB”) Questions

- 1) **We are looking for views about how LCEs could be described (see page 4). In your view, 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?**

In our view, an LCE will typically possess some of the qualitative characteristics as described on Page 4 of the DP. We agree that the list is not exhaustive, the characteristics are not individually exclusive to an LCE, and an LCE will not necessarily display all of the characteristics. Additionally, some of the characteristics are more persuasive in their indication that an entity may be an LCE. Therefore, we believe that professional judgment will need to be applied in determining whether an entity is considered an LCE. Accordingly, we recommend that clarity in the wording of the description be included to indicate that determining whether an entity is an LCE is judgment based and requires a weighing of all criteria. We also encourage clarity and guidance to be included to indicate that determining whether an entity is an LCE is a continual assessment that could change over time and not necessarily a one-time assessment.

Further we believe that the classification of an entity in terms of complexity runs on more of a spectrum rather than a distinct cut-off between two classes of entities. Certain entities which are for the most part non-complex may have some complex elements or enter into complex transactions on an infrequent basis. Similarly, an entity which is for the most part complex, may have certain areas of its operations which are not complex.

We note that ISA 315 has updated the description ‘few internal controls’ to ‘simpler system of internal controls’ and agree with this change, as a lack of internal controls does not necessarily indicate an LCE, while a simpler system of controls may be indicative of an LCE.

- 2) **Section II describes challenges related to audits of LCEs, including those challenges that are within the scope of our work in relation to audits of LCEs. In relation to the challenges that we are looking to address:**

- a) **What are the particular aspects of the ISAs that are difficult to apply? It would be most helpful if your answer includes references to the specific ISAs and the particular requirements in these ISAs that are most problematic in an audit of an LCE.**

In our view, the following ISAs are difficult to apply:

Estimates

ISA 540 presents difficulties for audits of LCEs in two ways. The first way is that management of LCEs are often inexperienced in accounting and as such, may lack the ability to prepare and document a sophisticated estimate. The second way is that an LCE may be an LCE because it is an operation with very limited transactions, it is relatively newly established, or in an industry with little comparative market information. These scenarios all increase the difficulty in management being able to create and auditors being able to audit an estimate as a lack of information exists to be able to create and verify assumptions.

Journal Entries

ISA 240 requires the testing of the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. Due to the nature of an LCE, practitioners struggle with applying the requirement to a relatively simplistic scenario. This may result in the testing of a significant portion of journal entries with a negligible reduction in overall audit risk. Further guidance on the extent of work required for journal entry testing for LCEs would be beneficial in creating consistencies in the amount of work performed on audits of similar types of entities.

Unpredictability

ISA 240 requires the auditor to incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures. This can be difficult to do with entities that have simple or limited transactions and are not complex in nature. Further guidance is needed on what constitutes “unpredictable” audit procedures in a non-complex situation.

- b) In relation to 2a above, what, in your view, is the underlying cause(s) of these challenges and how have you managed or addressed these challenges? Are there any other broad challenges that have not been identified that should be considered as we progress our work on audits of LCEs?**

In our view the main underlying cause of these issues is that practitioners do not view the ISAs to be scalable for LCEs, which results in performing work in an inefficient or unnecessary manner. In our opinion scalability in the ISAs and guidance on how to apply that scalability would be beneficial to practitioners who perform audits of LCEs.

- 3) With regard to the factors driving challenges that are not within our control, or have been scoped out of our exploratory information gathering activities (as set out in Section II), if the IAASB were to focus on encouraging others to act, where should this focus be, and why?**

In our view it would be beneficial to focus on the value of an audit and public expectations.

The lack of trust in the audit process and persisting expectations gap puts added pressure on auditors already struggling to apply certain aspects of the ISAs to LCEs. Given these outside pressures, and absent any specific scalability guidance, auditors struggle to apply professional judgment to scale the level of procedures to perform on audits of LCEs.

4) To be able to develop an appropriate way forward, it is important that we understand our stakeholders' views about each of the possible actions. In relation to the potential possible actions that may be undertaken as set out in Section III:

a) 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.

Revising the ISAs

In our opinion, revising the ISAs will most appropriately address the identified challenges.

Introducing scalability into the standards and providing guidance in the appendices of the ISAs on how to implement that scalability will increase audit efficiency and consistency among audit practitioners. The ISAs and their appendices are the main source of guidance referred to by practitioners, therefore, we believe the additional guidance on how to apply the scalability should be included in the ISAs themselves. Providing practitioners with a single, authoritative, source of guidance will be the most efficient way to implement the changes.

Developing a Separate Auditing Standard for Audits of LCEs

In our opinion, this does not appropriately address the challenges identified.

We believe it is very difficult to differentiate entities into two categories (non-complex vs. complex). As noted previously in our response, we believe that the status of an entity as an LCE may change over time, non-complex entities may have certain complex elements and vice-versa. Developing separate auditing standards could result in the adoption of new standards at every reporting period where a change in LCE status was determined, and/or make it difficult to apply the respective set of auditing standards to the elements of financial reporting with varying degrees of complexity. Creating separate standards also increases the technical knowledge in which a practitioner must be fluent. This has the potential to create division in the abilities of auditors to perform engagements for LCEs and more complex entities. Therefore, it is our view that developing separate standards would create additional problems that currently do not exist, while not satisfactorily solving the challenges that currently exist.

Developing Guidance for Auditors of LCEs or Other Related Actions

We believe that the focus should be including new requirements and guidance directly within the ISAs or their appendices, as this is the main authoritative source of guidance practitioners reference. If additional implementation guidance is developed over and above what can practically be included in the ISAs and their appendices, this would be a welcomed complement. However, guidance spread out over multiple sources can be difficult for application in practice.

b) Are there any other possible actions that have not been identified that should be considered as we progress our work on audits of LCEs?

We are not aware of any other possible actions that have not been identified that should be considered at this time.

c) 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.

In our view, for the reasons in our response to question 4a, revising the ISAs should be pursued as a priority.

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?

In our view, it would be beneficial to apply the work on audits of LCEs to include the scope of less complex situations for a complex entity audit. As mentioned above, we do not believe adopting a separate standard is appropriate for LCEs, and there are instances where complex audits have simplistic sections and could benefit from applying the same guidance for those sections only. Including scalability in the ISAs for both LCEs and less complex situations will result in increased efficiency and effective application of the ISAs.

We would be pleased to offer assistance to the AASB in further exploring issues raised in our response or in finding alternative solutions.

Yours truly,

MNP LLP

Michelle Balmer

Michelle Balmer, CPA, CA
Vice President, Assurance

August 14, 2019

Eric Turner, CPA, CA
Director, Auditing and Assurance Standards
Auditing and Assurance Standards Board
277 Wellington Street West
Toronto, ON M5V 3H2

Dear Mr. Turner,

We appreciate the opportunity to respond to the AASB on the IAASB's Discussion Paper, "Audits of Less Complex Entities (LCE): Exploring Possible Options to Address the Challenges in Applying the ISAs".

We work with many small- to mid-sized practitioners (SMPs) to assist them in performing effective and efficient audit engagements. Our response incorporates feedback we have obtained over the past few months in working with these practitioners and discussing the issues they face.

The practitioners that we work with absolutely want to conduct quality audits, but find it challenging in certain circumstances to do so. We heard it can be a challenge to implement the requirements of the CASs. The key reason for this is there are a number of CASs that do not apply to the audits of an LCE, or are difficult to apply due to the nature of the organization. These CASs are detailed in our response.

SMPs often serve clients that the larger firms do not provide services to for a variety of reasons including cost and location. These smaller firms are critical to the public practice and therefore standards setters need to ensure that while they protect the public interest, they also support these firms by addressing the challenges they face. We believe this is an important issue to address and fully support this project.

Our response is attached. We have responded to the questions raised in the IAASB Discussion Paper however, we used CAS references, not ISA references.

If you have any questions, or require any clarification on our comments, please do not hesitate to contact us. I look forward to the next steps on this project.

Yours very truly,

A handwritten signature in black ink that reads "Kirsten Albo".

Kirsten S. Albo, FCPA, FCA
President

Question 1: Characteristics of a Less Complex Entity

The IAASB has defined a “less complex entity” (LCE) as an entity which typically possesses a number of characteristics. In general, we agree with the listed characteristics with the exception of the following comments.

The first characteristic relates to the concentration of ownership and management and indicates that an LCE will have a concentration in a small number of individuals. We do not agree with this statement as an LCE may have a wide range of ownership in certain cases. For example a small private entity held by many family members would not meet this characteristic yet could still be an LCE.

In addition, the description related to the concentration of ownership and management does not address not-for-profit organizations which do not have any ownership characteristics at all. We recommend an additional characteristic to address the unique qualities of not-for-profit organizations.

Another characteristic relates to internal controls and states that an LCE has few internal controls. While that may be the case for some organizations, it may not be the case for all. In certain instances, an organization may have more than a few internal controls in place yet still be a simple organization. For example, a daycare has many controls in place related to tracking and recording parents’ fees and tracking and recording teacher hours and payments but most likely would still be considered an LCE.

Finally the characteristics do not include anything related to record keeping. It would be expected that an LCE typically uses an “off-the-shelf” financial reporting program. If an organization has developed its own financial reporting software or uses one that allows for extensive customization, it most likely would not meet many of the other characteristics of an LCE.

Question 2: Aspects of the CASs that are Difficult to Apply

There are many aspects of the CASs that are difficult to apply in the audit of an LCE either due to the nature of the organization, the procedure itself or the audit approach. Comments on these CASs are as follows:

Unpredictability Procedures

CAS 240.30(c)

The auditor is currently required to incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures. However this can be challenging in the audit of an LCE, especially when a substantive approach is taken. Even with a risk based approach, when auditing an LCE many balances and transactions are examined in detail.

The purpose of an unpredictability procedure is to address the risk of fraud and therefore should be effective. In the case where a substantive audit approach is taken, it can be problematic to determine what an effective unpredictability test might be. To just add an extra 10 invoices to the expense testing, is not going to accomplish anything and is a waste of time.

We recommend that unpredictability procedures are not required in certain circumstances.

Communication with TCWG

CAS 260

For many small- to mid-sized practitioners (SMP) it is a challenge to meet this requirement as there may be no board in place or the board does not meet on a regular basis limiting the opportunity to meet with the full board. Communication is an important requirement but there is currently no scalability in the standard. For example, commentary on the quality of accounting policies is most likely not as applicable to an LCE as the financial statements are typically simple. In addition, the guidance on matters to communicate is not as clear as it could be.

The standard does not state the communication has to be in writing, it can be done orally, however it can be a challenge for an SMP to demonstrate “two-way communication”. To address this requirement, we have seen in practice that many SMP send a letter at the end of the engagement to the Board chair however we have also seen that practice inspectors state that the letter sent to the client is not adequate.

The PEG has two letters related to communication with TCWG, the planning and findings letter. However many times the practitioner only meets with the board once. It would be helpful if there was a “combined” letter to meet the requirements.

We recommend the communications to TCWG in an LCE be simplified.

Preliminary Analytics

ISA 315.6(b)

The current requirement is that analytical procedures are to be performed as a risk assessment procedure. It is often challenging to perform preliminary analytics on an LCE; many times the balances are very preliminary as many adjusting journal entries are required. For example, the client needs assistance in updating their prepaid balance and the amount has not changed or amortization has not yet been booked. Often, preliminary analytics are not effective and are a waste of time. As the standard is currently written, there is no option and this procedure must be performed. We acknowledge that CAS 315.A17 provides specific guidance to smaller entities and the performance of these procedures however it does not allow enough flexibility and still requires the procedure to be performed. In fact the way this paragraph is written is more that the procedure is like a final analytics as is required by CAS 520.6.

We recommend that either the requirement to perform preliminary analytics be removed altogether from the standard or at least allow the preliminary analytics and final analytics to be “combined”. The way the standard currently stands is that if there is no “preliminary analytics” step in the risk assessment phase of the audit, it would be raised as a significant deficiency point in a practice inspection.

We agree that final analytics, or a “stand back” is critical in the completion of an audit.

Response to the IAASB Discussion Paper: Audits of Less Complex Entities

Understanding The Entity and its Environment

CAS 315.11

Overall, the requirements of understanding the entity are not too complex and are critical as a component of risk assessment procedures. We believe it will be important to link the items in the standards to the characteristics of an LCE or even include the characteristics in the standard, depending what course of action is taken with the overall project.

Understanding Components of Internal Control

CAS 315.14-.19 and .22-.24

The current standard requires an auditor to understand the five components of internal control. However we believe these five areas are too prescriptive and many not relevant to an LCE. For example, an auditor most likely can assess the overall control environment and its indirect impact on setting scope for detailed testing. We agree that it is important to have an overall understanding of the control environment of an LCE to assist in the risk assessment procedures. However, when it comes to other areas as risk assessment and monitoring of controls, many LCEs do not have these types of pervasive controls in place and if they do, they are on a very informal basis. For example, with respect to risk assessment a daycare executive director may know the challenges that face the daycare (funding, parent fees and hiring teachers), this is typically not document in any formal way. In addition, there is often no monitoring of controls in an LCE as there are few personnel in place.

We recommend the requirements of understanding the components of internal control to be simplified significantly.

This is one area where the PEG forms drive inefficiencies and too much work. For example on PEG 530 all five areas of the components of internal control are listed and within each category, there are many risks that may occur, even in the condensed form. In many cases, the documentation states “NA” without a true understanding of what they are documenting. The form is complex and not easily understood by the SMP. While alternative documentation is a solution, those firms, especially the smaller firms that are using the PEG, do not typically take this approach again, because the requirements in CAS are not clear. Appendix 1 to CAS 315 attempts to provide further guidance but for an LCE, most of the items explained would not relate in the detail that is outlined.

Control Activities Relevant to the Audit

CAS 315.20-.21

The current requirement is the auditor must document the design and implementation of controls relevant to the audit, including the risk arising from IT. This is a requirement whether or not the auditor is going to rely on such controls.

This requirement is very onerous to SMP in the audit, especially since in most cases, the decision is to not rely on controls. The PEG form 545/550/555/560 (condensed) are complex and not easy to understand. An alternative method for documenting is a memo however that provides challenges as a memo of processes and procedures is often not linked to the assertions so would not “pass” in a practice inspection.

Part of the reason the documentation of the design and implementation of internal controls is a challenge and wastes time is the fact that inquiry is not enough. CAS 315.6(c) requires observation and

Response to the IAASB Discussion Paper: Audits of Less Complex Entities

inspection and therefore documenting a process flow with a client through discussion would not be adequate. We recommend that the requirement of observation and inspection be eliminated when it comes to documenting controls relevant to the audit. If an auditor is not going to rely on controls, discussion with the client should be adequate. If the auditor does plan to rely on controls, they will obtain audit evidence through the testing of effectiveness.

The second component of the challenges of documenting controls relevant to the audit relates to IT and the requirements of CAS 315.18 and CAS 315.21. While it is important to understand the financial reporting system, the requirements of the standard are not clear – even with the further guidance provided in CAS 315.A107-.A109. In practice, this is one of the biggest areas of challenge for practitioners as most struggle to understand what is truly required. Most likely the standards can be simplified as many LCEs use off-the-shelf accounting packages. We understand the CAS 315 (Revised) is attempting to address this fact but the scalability and approach in the Exposure Draft is not very clear.

PEG 530C again is not very helpful to practitioners in documenting the pervasive control activities related to the financial reporting system. Specifically questions 10-12 are to address general IT controls but the risks are not clear and practitioners typically do not know how to respond.

Related to this area but as a completely separate point, the decision to rely on controls is often driven by the fact that the controls may not be in place (few internal controls is included as a characteristic of an LCE) or that it is more efficient to perform substantive procedures. Sometimes the latter decision is driven by a lack of understanding of the requirements to test controls and how to determine sample sizes. This guidance is in the PEG but it is complex and not clearly understood by many SMPs.

Journal Entry Testing

CAS 240.33(a)

The standard requires the auditor to design and perform procedures to test the appropriateness of journal entries (JEs) including testing period end journal entries and those made throughout the period. This requirement does not always make sense in the context of auditing an LCE, especially when a substantive approach is used.

The requirement to test journal entries is not well understood. This is not a reason to not include in the standards but it is a reason to consider if further guidance is needed in the application paragraphs, especially in light of the audit of an LCE. For example, when a substantive approach is taken and many of the JEs have already been tested during the execution of the audit procedures, is further testing still required.

PEG 670 is very complex and does not provide strong guidance in addressing the requirements. The form almost drives an auditor to do both too much and not enough work at the same time. Too much work in that one of the procedures is to test all JE's over a certain threshold and not enough work related to the documentation of understanding the controls related to JE testing.

Response to the IAASB Discussion Paper: Audits of Less Complex Entities

Use of a Service Organization

CAS 402

In today's environment, many LCEs are in fact using a service provider, mainly for payroll. It is not always clear to an SMP what is required to complete the audit. The requirement is to consider whether a Service Organization report is required however in many cases, it is not available or may be a significant cost which the organization cannot afford (in the case of an NPO).

We do not have any specific recommendations for this CAS, just that the issues related to an LCE should be considered.

Audit Sampling

CAS 530

The CAS itself is fine. It is just a fact of the matter that for the smaller firms who do not have the support of a national office in providing guidance on sample sizes, it is a challenge to adequately calculate and select samples.

PEG 610 is very confusing to follow and the wording of confidence levels and risk reduction in Question 9 is almost backwards to the guidance in PEG.

Question 3: Actions by Others

No Comments.

Question 4: Possible Actions Forward

The IAASB has outlined three possible actions forward. We believe the IAASB priority should be revising the ISAs that create the biggest challenges for small- to mid-sized practitioners in a rolling approach as discussed further below. The starting point for the roll out should be the CASs that have the biggest impact on the efficiency and effectiveness of audits of LCEs as outlined above.

Our comments on each of the actions and setting priorities are as follows:

Action A – Revising the ISAs

The IAASB paper outlines various ways this could be undertaken. In order of priority, we recommend revising the ISAs on a rolling or phased basis as the best approach; making targeted changes when an ISA is being revised is the second alternative and revising all ISAs as part of one substantial project is a distant third.

The reasons for this are as follows:

Revising the ISAs on a rolling basis allows for the focus to be on those ISAs that need to change and will have a big impact on both the efficiency and effectiveness of the audit of an LCE. It allows for priorities to be set and changes to be made.

Making targeted changes when an ISA is being revised is less effective as changes will only be made when an ISA is in fact being revised. For certain ISAs, there may be no requirement to do so except

Response to the IAASB Discussion Paper: Audits of Less Complex Entities

related to the LCE initiative so then would not get updated, even though it may have a big impact. For example, ISA 240 relates to fraud and places an unnecessary emphasis on fraud in an LCE but may not require any other changes as is it a critical component in an audit.

Finally, we do not believe that revising all the ISAs as part of one substantial project is the way to go as this would take way too much time. The whole point of the project is too effect change and we would not see any change for a significant number of years as this would be an enormous undertaking.

Action B – Developing a separate auditing standard for the audits of LCE

Our view is this is a not as a course of action to take.

Often the audit of an LCE is performed by a smaller firm who does not have the power of a national office to help them keep up through training and updated templates. These smaller practitioners must rely on other sources to help them keep up and it is a challenge to do so. Most smaller practitioners would not only audit an LCE and keeping up with two sets of standards would be overwhelming and impractical.

We acknowledge there is an extensive amount of non-authoritative material out there but SMPs most likely do not have time to find it, let alone read it. We need to make it easy for the SMP to conduct quality audits as these practitioners are key to keeping our economy growing. This leads into the commentary on the proposed next course of action.

Action C – Developing Guidance for Auditors

We believe this would also not be a good approach. Small- to mid-sized practitioners are already faced with challenges in keeping up to date and how to apply the standards in an efficient and effective manner. Their focus is on the standards themselves as that is what outlines the audit requirements. If a Guide is produced, it is most likely a fact of life that these practitioners will not read them as they are not the “standards” therefore the Guide will not help them in the end. If a standard changes, the auditor has to read it and implement the changes. The Guide will not accomplish what the whole project is set out to achieve, that is make it easier to audit an LCE.

At this point in time, we have no other possible actions to recommend.

Question 5: Other Matters

Firm Size

One issue that we believe may be specific to Canada is the size of the LCE and SMP that is contemplated by the various regions is very different than the size of an LCE and SMP in Canada.

We believe the Canadian market in and of itself is smaller than certain other regions, such as the UK, and therefore the clients and the SMPs who service them are also much smaller. For example, when you read articles in the Journal of Accountancy or from IFAC, the size of an SMP is typically 8-12 partners. This is definitely not the case in Canada. A firm that size would most likely be considered a “larger firm”, not a small- to mid-sized firm. We work with many firms that are sole practitioners or have only 1-2 partners. These firms are no less focussed on quality than the large firms but struggle due to the complexities and extensiveness of the CASs.

Response to the IAASB Discussion Paper: Audits of Less Complex Entities

We need to ensure that we support these SMPs. Often the audit of an LCE is performed by a small firm who does not have the power of a national office to help them keep up through training and updated templates. These small practitioners must rely on other sources to help them keep up and it is a challenge to do so. Without the smaller practitioners, there are many organizations that quite frankly, could not afford an audit conducted by a larger firm. For example, daycares in Manitoba which are required to have an audit. Another example would be not-for-profit organizations in rural communities. If these organization do not obtain their audit, they may be offside on funding requirements which in turn could cause them to lose their funding and cease operations, creating a strain on our society as the key functions they were supporting would no longer exist. We need to make it easier for the smaller practitioners to keep up and conduct quality audits.

While the standards do not take into consideration the commercial aspect of an audit, we cannot lose sight of this fact. While quality and protecting the public is of utmost importance, the ability to be efficient is also important. A firm can document in an efficient manner but it still takes time and in many cases, the documentation truly does not add value to the audit. As noted above, many small organizations require an audit and the current standards puts significant fee pressures on the auditor. We fully support this initiative.

Scalability

One other topic that we believe is important is starting to be addressed and that is the concept of scalability as recently address in CAS 315 (Revised). However it is not always clear how scalability is to be applied and when. An increased focus on the applicability of this topic is important.