



Discussion Paper

Auditing and Assurance Standards Board

Audits of Less Complex Entities

June 2019

**COMMENTS TO THE AASB MUST BE RECEIVED BY
August 14, 2019**

**COMMENTS TO THE IAASB MUST BE RECEIVED BY
September 12, 2019**

We value your input and look forward to your feedback on this Discussion Paper. Comment on this document by completing this [online survey](#) or uploading your response letter via this [online form](#). Please address your response to:

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Auditing and Assurance Standards Board
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This Discussion Paper reflects questions raised by the International Auditing and Assurance Standards Board (IAASB) in its Discussion Paper, [“Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs.”](#)

Individuals and organizations are invited to send written comments on this Discussion Paper. Comments are most helpful if they are related to a specific paragraph or group of paragraphs of the Discussion Paper. Challenges raised should clearly explain the problem and include a suggested alternative, supported by specific reasoning. All comments received by the AASB will be available on the website shortly after the comment deadline, unless confidentiality is requested. The request for confidentiality must be stated explicitly within the response.

HIGHLIGHTS

The Auditing and Assurance Standards Board (AASB) is issuing this Discussion Paper to:

- encourage Canadian stakeholders to respond to the International Auditing and Assurance Standards Board's (IAASB) Discussion Paper "[Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs](#)" (hereafter referred to as the "IAASB's Discussion Paper");
- be copied on the Canadian stakeholders' responses to the IAASB to inform the AASB of concerns from a Canadian perspective and to assist the AASB when preparing its own response letter to the IAASB's Discussion Paper; and
- seek views from Canadian stakeholders on the questions asked in the IAASB Discussion Paper and whether there are any unique Canadian circumstances that the AASB needs to consider.

Background

The IAASB is working to improve its understanding of the challenges practitioners face in applying the International Standards on Auditing (ISAs) to audits of Less Complex Entities (LCEs) so it can determine what actions can be taken in response to the challenges identified. The IAASB's Discussion Paper focuses on:

- challenges that have been identified to date relating to applying the ISAs to the audits of LCEs; and
- possible actions that could be undertaken to address the identified challenges.

The IAASB is looking for input from all stakeholders, particularly practitioners auditing LCEs.

Importance to Canadian Stakeholders

Canada has many small and micro-entities,¹ for which an audit is an important service that instills confidence in this part of the economy. When the AASB reached out to stakeholders in [2017](#) and [2018](#), practitioners said that they experience challenges when applying the Canadian Auditing Standards (CASs) to audits of LCEs. The AASB heard that the definition of LCEs could encompass a broad range of entities, including those in the public and not-for-profit sectors.

The CASs, adopted from the ISAs, are principles-based and apply to entities of all sizes and complexities. However, recognizing that practitioners face challenges when applying the CASs to audits of LCEs, the AASB has committed in its 2016-2021 Strategic Plan to identify and address those challenges.

The AASB representatives and staff have been involved in several international discussions and activities on how to make auditing standards more suitable for LCEs. Also, the AASB has been monitoring the IAASB's activities in this area with great interest and has been providing continuous feedback on these activities.

Because the AASB adopts the CASs from the ISAs, the approach the IAASB decides to take in responding to the challenges in applying the ISAs to audits of LCEs is relevant to Canada. Therefore, it is important that the AASB and Canadian stakeholders respond to the IAASB, and for the AASB to be informed of any unique Canadian circumstances.

¹ According to Innovation, Science and Economic Development Canada's report, [Key Small Business Statistics](#) (June 2016), of the 1.17 million businesses in Canada, 98 per cent are small businesses (fewer than 100 employees) and 54 per cent are micro-businesses (one to four employees).

To read more about the work done to date on this project, visit the [project page](#).

Responding to the IAASB's Discussion Paper

The IAASB's Discussion Paper, "[Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs](#)," is available on the IAASB website.

Canadian stakeholders are encouraged to provide comments to the IAASB on its Discussion Paper and provide the AASB with a copy of the response. Alternatively, respondents may share their comments directly with the AASB via an online response form.

Providing comments to the AASB regarding any unique Canadian circumstances

The AASB appreciates being informed of unique Canadian circumstances that are not covered in the IAASB's Discussion Paper and that it needs to consider. Comments received before August 14, 2019, will be taken into account as the AASB prepares its own response to the IAASB's Discussion Paper.

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