



IAASB
New York
USA

Nieuwegein, 10 September 2019

Re: Comments Discussion Paper “Audits of Less Complex Entities”

Dear Sir or Madam,

We should be glad to respond to the Discussion Paper “Audits of Less Complex Entities”. SRA is an association of some 370 accounting firms, which is based in the Netherlands. We represent 80% of the top 50 largest firms in the Netherlands. Taking into account the nature of our member firms, we take a special interest in the subject matter of this Discussion Paper.

We would like to stress that we welcome very much the initiative taken by the IAASB to specifically focus on the audits of LCE’s, rather than on SME’s. We are convinced that it is important to have a follow-up on this initiative, in order to make audits of LCE’s more effective and efficient, which will contribute to the public interest.

As an illustration of our interest in the subject matter we note that we responded in September 2015 to the consultation of the Nordic standard, mainly focusing on non-assurance audits of small entities. In our response we concluded that we supported the initiative and we expressed the hope that this initiative would get an international follow-up. The Nordic standard focused on small entities, while the present IAASB initiative focusses on LCE’s. We strongly believe that focusing this international initiative on the scope LCE’s is the right way forward.

We also note that existing legislation regarding oversight on statutory audits in the Netherlands allows for applying audit standards for middle sized entities commensurate with the size and complexity of the activities of such entities (Wta, art. 48a., sub 4). The audit standards themselves, however, do not allow such application. This is another reason for our support to the present IAASB initiative, to bring more balance between the legislation on oversight and the legislation of our audit standards.

In addition to these general comments we would like to comment on the Questions for respondents as follows.

1. We feel that the description of LCE's should focus on the complexity of the business and supporting processes of the entity. Such a description could include the elements, included under b on page 4 of the Discussion Paper. We feel, that the elements, mentioned under a on said page 4 are not relevant, as they do not influence the audit approach and the nature of the required audit activities. In discussing the LCE-concept it should be considered how to apply the concept if an entity fits in the LCE-definition for all aspects, with the exception of a single item or stream, for example, one provision. We could envisage that in such cases the requirements for audits of LCE's could be followed and extra audit work is undertaken for the item, stream or assertion in the financial statements concerned.
2. We support the analysis included in Section II of the Discussion Paper, noting that we would like to draw attention to the use of soft controls and standards 315 and 330.
3. We have no comments regarding this question.
4. Section III of the Discussion Paper contains, in our view, the most important issues. We believe, based on an intensive discussion within SRA, that in improving audit standards with a focus on LCE's the following crucial starting points should be taken into account:
 - It should be avoided that different sets of audit standards can be regarded by interested parties as leading to an audit of a different status, increasing the expectation gap: an A-audit and a B-audit. The starting point should be: an audit is an audit. This should avoid misunderstanding with all interested parties;
 - The principles underlying an audit should be based on a uniform framework, ie the present ISA's, which audit includes amongst others the features, mentioned on page 19 of the Discussion Paper. The ISA framework secures consistent audit quality;
 - From an educational perspective it is best to have one set of standards, based on one framework
 - The new standards should clearly point out the requirements, applicable to audits of LCE's and to all other audits. As the standards will be incorporated in legal requirements it is vital to clearly describe requirements and the scope thereof.

The SRA internal discussion led to the conclusion that, based on these starting points, the best approach would be to make a distinction within the present standards between requirements, applicable to all audits (including LCE's) and other requirements which one selects based on professional judgement, taking the complexity of the company, the individual items in the financial statements and the relevant assertion in mind.



Adoption of this customized approach would lead to one robust set of standards, based on the present ISA's, resulting in a clear set of standards, applicable to LCE's. The requirements, applicable to audits of CE's (Complex Entities) and LCE's, could then be described as key requirements.

The alternative, a separate set of standards for audits of LCE's, would not be more clear for practitioners and would have the disadvantage that the status of such a set could lead to misunderstanding with interested parties.

The approach described could be introduced step by step for each of the standards, for example giving priority to standards 200, 315 and 540. Such an approach could be implemented rather soon, which we consider a major advantage thereof.

5. We feel that audit requirements relating to fraud, corruption and continuity should not be different for audits of LCE's and audits of other entities.

We should be glad to answer any questions you may have regarding this response to the Discussion Paper.

Yours sincerely,

Paul Dinkgreve RA,
Chairman of the Board