



IAASB – International Auditing and
Assurance Standards Board
529 Fifth Avenue
New York, 100 17 USA

Subject: Comment letter relating to the Exposure Draft of the International Standard on Auditing of Financial Statements of Less Complex Entities (ED ISA for LCE)

Dear Sirs and Madams,

The Swedish Inspectorate of Auditors (SIA) appreciates the opportunity to comment on the IAASB's Exposure Draft of the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) issued in July 2021. The SIA is the Swedish government's expert authority in matters concerning auditing and auditors.

In Sweden audit is required by law for many limited companies as the thresholds for statutory audit are significantly lower than the requirements according to the EU directive. In addition to that, the Swedish government recently took the initiative for an inquiry to investigate whether even smaller limited companies should be in scope for statutory audit. Sweden is a rather large country with a relatively small population. The SIA is therefore very concerned with ensuring that there are enough auditors present throughout the country able to perform audits, many of them being of the smallest companies. There is currently only one category of auditor examined in Sweden and the auditor is authorized for all sizes and complexities of entities. Sweden does not have any national standard for audits of smaller or less complex entities and hence all audits are performed according to the full set of ISAs. Because of these prerequisites the SIA appreciates the IAASB's efforts to understand and consider issues regarding the audit of smaller or less complex entities.

The SIA is of the opinion that adaption of the audit approach to the size of entities and the complexity of their operations is already embedded in the International Standards on

Auditing framework. However, our understanding is that many of the auditors working with audits of small or less complex entities in Sweden consider the full ISAs too extensive and sometimes difficult to adapt in an appropriate way. They consider ISA for LCE to be a desirable alternative as all requirements are gathered in one comprehensive standard.

Nevertheless, we would like to address some concerns and comments regarding the ISA for LCE standard.

The SIA acknowledges the risk that two separate standards for auditing (full ISAs and ISA for LCE) might cause confusion. In order to avoid that the SIA's view is that it should clearly be stated in all reporting under which standard the audit has been performed. Further the audit client should be also able to decide that the audit is to be performed under the full set of ISAs, even if the ISA for LCE could have been used.

The SIA also sees that the creation of two separate standards give rise to a risk that the auditors focused on small and less complex entities will have a possible lack of competency when it comes to audits requiring the full set of ISAs. Further it may cause difficulties when it comes to the auditor exam required to become authorized as an auditor in Sweden, if all the experience that the auditor has is in audits in scope of ISA for LCE. The SIA encourages the IAASB to continue with the CUSP (Complexity, Understandability, Scalability and Proportionality) project to contribute to auditors better being able to understand and apply the full set of ISAs when required.

The proposed standard contains guidance on the application of the standard. It foresees that national regulators can limit the application further at national level. The SIA would, if the standard comes into force, consider establishing quantitative thresholds regarding which entities that could not be allowed to be audited in accordance with ISA för LCE.

The SIA considers it important that the standard clearly states what an auditor is required to do when an audit, due to changes in conditions for the audit, must do a transition from ISA for LCE to ISA. The SIA encourages clarification on this topic.

In addition to the above-mentioned concerns and comments the SIA would also like to point out the specific comments on the content of the standard (p. 26-34), mentioned by CEAOB in their comment letter relating to ED ISA for LCE, dated 24 January 2022.

In summary, the SIA supports the IAASB initiative regarding ISA for LCE, although there are certain concerns, and encourages the IAASB to refine the proposed standard

based on the input from the comment letter process. If there will be a decision from IAASB not to go forward with ISA for LCE as a standalone standard, the SIA encourages the IAASB to continue its efforts in this important area and utilize the work done to issue guidelines to ISAs for audit of less complex entities.

We remain at your disposal to provide any further information or to discuss this comment letter.

Yours Faithfully,

Per Johansson
Director General