Audits of Less Complex Entities – Project Proposal

Kai-Morten Hagen, LCE Working Group Chair

IAASB CAG Meeting

Agenda Item A

December 1, 2020
Background

- 2009 Clarified ISAs
- 2013 ISA Implementation Monitoring Project
- January 2017 First Paris Roundtable
- March 2017 IAASB initial discussion

- Summer 2017 Informal Working Group set up to explore matters related to audits of LCEs
- March 2018 IAASB executive session discussion to agree formal consultation plan
- September 2018 LCE Working Group and planned efforts formalized
- April 2019 Discussion Paper published

- May 2019 Second Paris Roundtable
- Dec 2019 Board discussions on feedback from DP
- June 2020 Board agreement to develop separate standard
Objectives

- Delivers a **high-quality audit** that maintains the degree of confidence in the audit of the financial statements for the intended users thereof.
- Delivers an audit that will result in a **reasonable assurance opinion**.
- Is able to be **used effectively and efficiently** to be able to obtain sufficient appropriate audit evidence to support the audit opinion.
- **Promotes consistency in application** through clear and understandable requirements that will result in a high-quality audit.
- Is **proportionate to the public interest benefits** of using a separate standard for an audit of an LCE.
- Facilitates the performance of a high-quality audit that is **appropriate in the circumstances of a less complex entity**.
Targeted Timeline

- **July 2020**: Commencement of development of separate standard
- **Dec 2020**: Project Proposal and First Draft
- **March 2021**: Discussion of Second Draft
- **June 2021**: Approval of Exposure Draft
Representatives are asked for views on the project proposal presented in Agenda Item A.1. to set out the objective, scope and actions to develop the [draft] audit standard for audits of the financial statements of LCEs.