Audits of Less Complex Entities: Separate Standard

Presented by:
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CAG Meeting
March 8, 2021
By Videoconference
IAASB agrees to formal workstream to explore issues related to audits of LCEs

Discussion Paper issued / 2nd Paris Conference

IAASB agrees to develop separate standard

Develop of initial draft of separate standard

First Draft of Separate Standard to IAASB / Project Proposal

Second discussion of ISA for LCE with IAASB

Exposure Draft of ISA for LCE – targeted approval (published mid-July until end of 2021)
Applicability

- Laws or regulations
- Listed entities
- Group audit

Specifically excluded

Judgment
- Business activities and governance structure
- Information system
- Basic accounting estimates

ISA for LCE appropriate to use
- Document judgments
- Stand-back
• Succinct, straightforward requirements
  – Setting out content of auditor’s report, when auditor’s report is to be modified

• Comply with “ISA for LCE”
  – Example report (clean) in appendix
    – Shorter and only contains auditor’s conclusion and basis for the auditor’s opinion
    – All standard text in an appendix

• Support guide with examples of modified reports, emphasis of matter and other matter paragraphs, and material uncertainty with respect to going concern paragraphs

• ISA 701 – Key Audit Matters
  – If voluntarily reported – need to comply with ISA 701 (conditional requirement)
Other Key Matters

• Maintenance of the standard – stable platform (updated not less than every 3 years)
• Definitions
• Revising the standard as appropriate to the circumstances of an LCE (e.g., identifying and assessing the risks of material misstatement)
• Essential explanatory material
• Support guidance for application of the standard
• Outreach when standard is out for consultation
1. In this meeting, Representatives are asked for views on:
   a) The applicability of the draft ISA for LCE (see Agenda Item D.4, Section A).
   b) The reporting requirements of the draft ISA for LCE (Part 9 and Appendix 6 of Agenda Item D.4).

2. Representatives are also asked whether there are any other comments in relation to the draft ISA for LCE that the LCE Task Force should consider as it finalizes the draft for exposure.