Audits of Less Complex Entities: ISA for LCE

Kai Morten Hagen, Task Force Chair
IAASB CAG September 2022 Meeting
Agenda Item B.1
ED-ISA for LCE: Feedback

- 24 IAASB Organized Events: Roundtables, Presentations, Linked-In Live
- 90+ Countries Reached

- Paris Conference: 130+ participants
- 33 Jurisdictions

145 Comment Letters
250 Survey Responses
## ED-ISA for LCE: Key Themes from Feedback

<table>
<thead>
<tr>
<th>Section</th>
<th>Themes</th>
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<tbody>
<tr>
<td><strong>The Nature of the Standard</strong></td>
<td>Remain standalone (&quot;self-contained&quot;)</td>
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<td></td>
<td>Explore approach to complex estimates</td>
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<tr>
<td><strong>The Basis for the Design of the Standard</strong></td>
<td>Clarify nature of typical LCE to guide revisions</td>
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<td></td>
<td>Explore further differentiation from the ISAs</td>
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<td><strong>The Authority of the Standard</strong></td>
<td>Better describe who the standard is for</td>
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<td></td>
<td>Explore use of quantitative thresholds</td>
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<tr>
<td><strong>The Inclusion of Audits of Group Financial Statements (Group Audits)</strong></td>
<td>Explore how to be included and presented</td>
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<td></td>
<td>Authority: add group specific characteristics</td>
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ED-ISA for LCE – Feedback on Scope

Least Complex Entity

Potential Scope of ED-ISA for LCE
(as perceived by some respondents to the ED consultation)

Most Complex Entity

Listed Entities/Entities with Public Interest Characteristics

Intended Scope of ISA for LCE
# Proposed Changes to Authority

<table>
<thead>
<tr>
<th>Prohibitions</th>
<th>Qualitative Characteristics</th>
<th>Quantitative Thresholds (new)</th>
<th>EEM</th>
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<tbody>
<tr>
<td>• Limitation for group audits removed</td>
<td>• Described what “less complex” is • Changed individual characteristics</td>
<td>• Added placeholder • Included guidance for jurisdictions to determine thresholds</td>
<td>• Movement of content to EEM • Clarified other topics not included (e.g., use of internal audit)</td>
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Approach to Authority: Group Audits

Group Specific Characteristics*

Prohibitions & Qualitative Characteristics of an LCE

Group Structure & Activities
Access to Information or People
Consolidation Process
Financial Reporting Process

*Considered in addition to the Prohibitions and Qualitative Characteristics of an LCE
The Representatives are asked for their views on:

1. The proposed changes to the Authority in Agenda Item B.3 (including changes for group audits)
Part 10, Audits of Group Financial Statements

ISA 600 (Revised)

- Requirements relevant to LCE
- Requirements NOT relevant to typical LCE

Part 10, Audits of Group Financial Statements

Addressed in other parts of ISA for LCE

Use of Component Auditors
2. The Representatives are asked for their views on the drafting of Part 10, Group Audits as presented in Agenda Item B.2

3. Any other matters Representatives may wish to raise on the project
The Way Forward

- Next Board discussion: September 2022 IAASB meeting
- Continue to analyze responses to exposure draft
- Commence drafting in priority areas
- Public exposure - Part 10, Audits of Group Financial Statements
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