



Audits of Less Complex Entities

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IAASB CAG Meeting

Agenda Item E

September 9, 2020



**International Auditing
and Assurance
Standards Board**

Introduction

Developments since March 2020

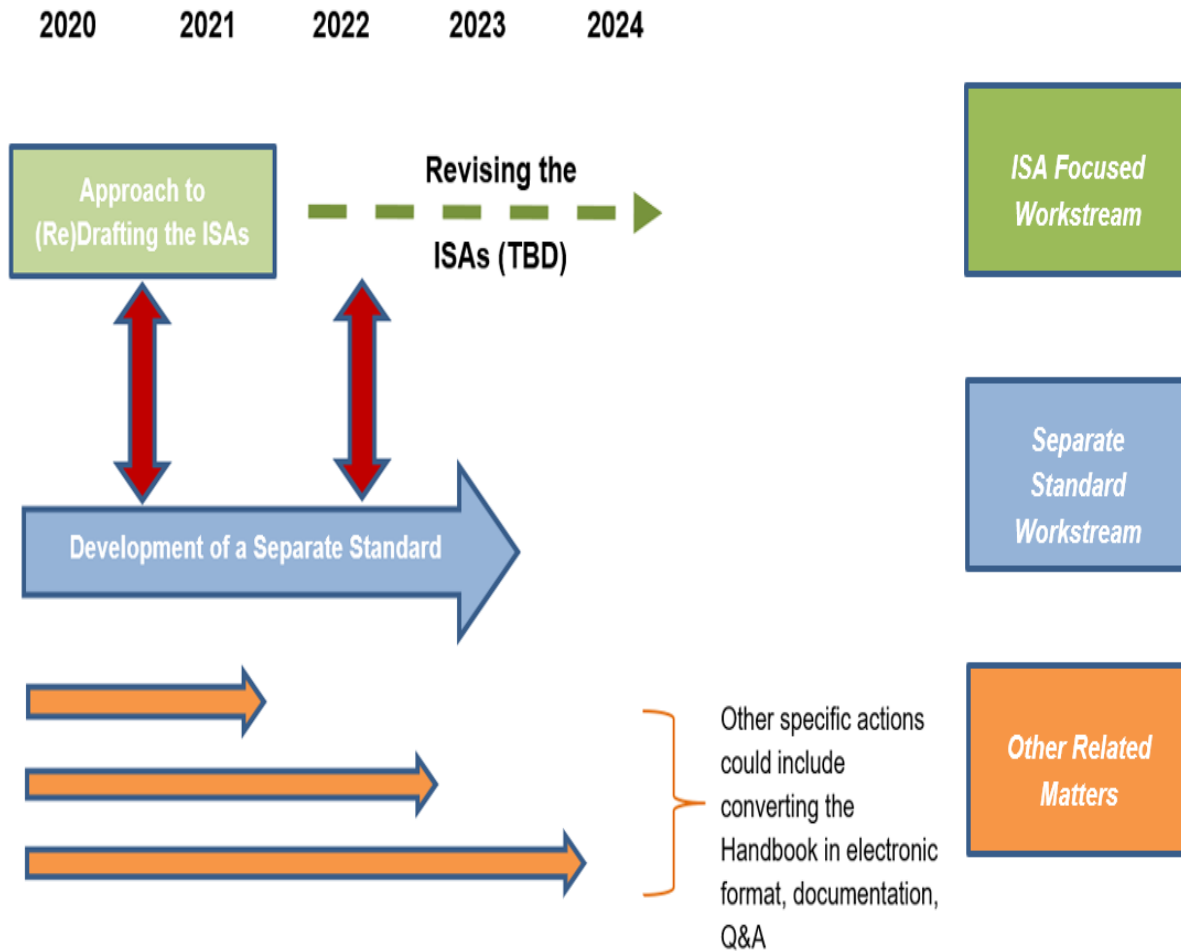


Reducing Complexity in the ISAs and Audits of Less Complex Entities (LCEs)

- Key topic for IAASB moving forward
- Top of mind:
 - Need for a **global solution**; many jurisdictional developments which are not in the public interest
 - Need to **keep standards fit-for-purpose for all**
 - **More is needed quickly** – IAASB mindful of risks but also needs to keep due process in mind



Approach to Addressing the Challenges and Issues



- Direction is two-fold (IAASB agreed):
 - **Broader approach** to drafting the ISAs – drafting principles and guidelines to address complexity, understandability, scalability and proportionality (CUSP)
 - **Separate standard** – currently developing fundamental principles
 - Focus areas in both include documentation

Both streams expected to inform each other

CUSP Workstream

Complexity,
Understandability,
Scalability &
Proportionality (CUSP)



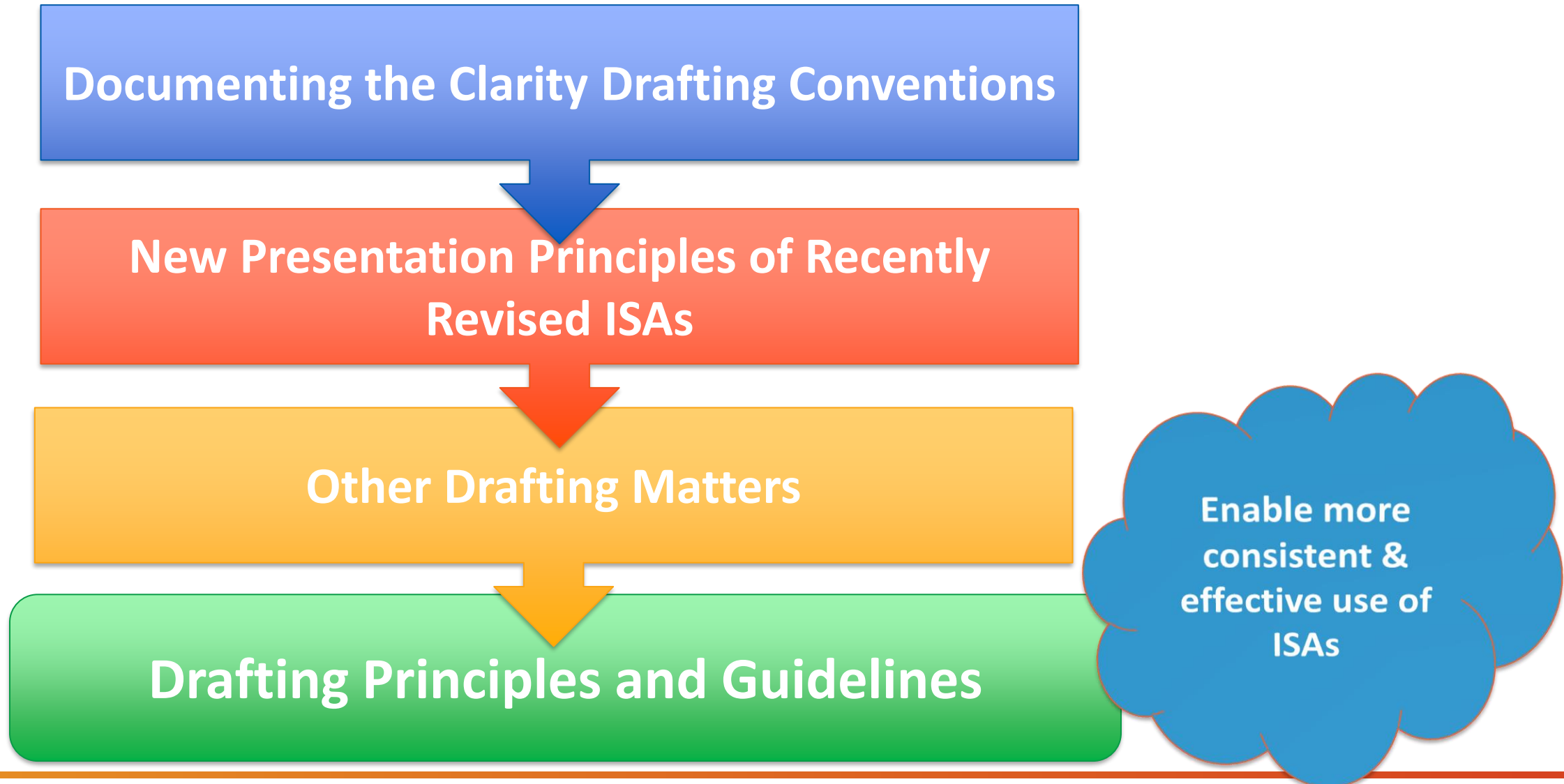
Moving Forward – CUSP Workstream

- Focused Working Group
- To continue information gathering
 - Develop drafting principles and guidelines
 - Timeline:



- Documentation
 - Explore and determine what actions are appropriate
 - May involve the development of non-authoritative materials

Development of the Drafting Principles and Guidelines



Matters for Consideration

- **Question 1:**

CAG Representatives are asked for views on the proposed approach to reduce complexity in the ISAs outlined in the CUSP Workstream



LCE Workstream

Development of a Separate Standard for Audits of LCEs



Moving Forward – Separate Standard

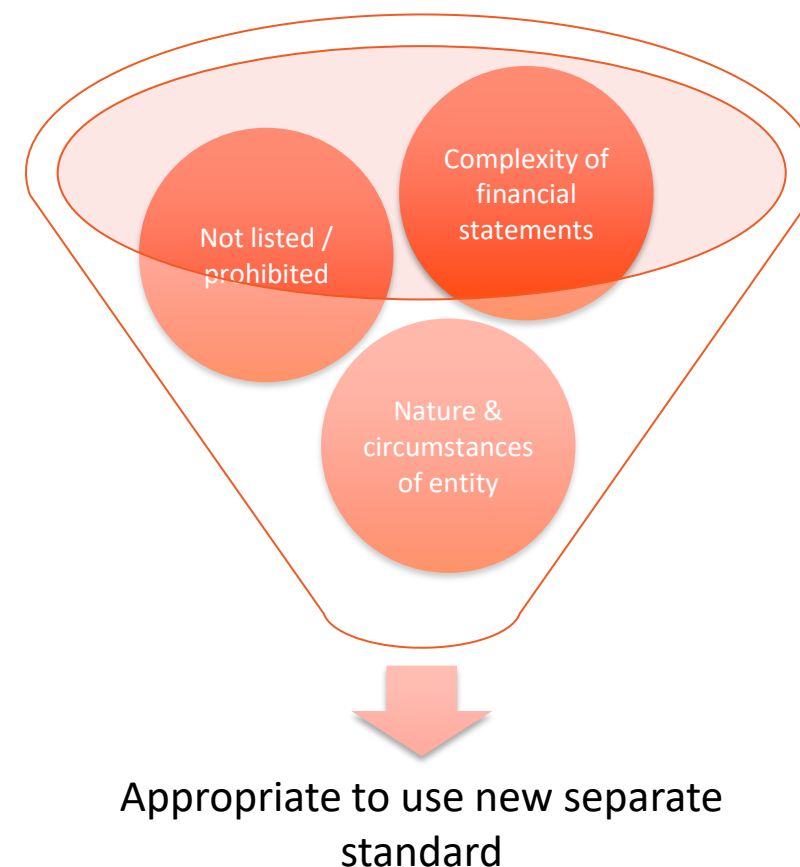
- Focused Working Group
- To progress as a priority
 - ‘Test’ proposals during development → helps keep developments on track by socializing significant proposals at key milestones (LCE Reference Group)
 - Timeline for separate standard:

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graph LR; A[July 2020  
Commencement of  
development of separate  
standard] --> B[Dec 2020  
Project Proposal and  
First Draft for IAASB  
discussion]; B --> C[March 2021  
Discussion of Second  
Draft with IAASB]; C --> D[June 2021  
Approval of Exposure  
Draft];
```
- Ongoing outreach throughout development period
 - Third planned roundtable in Paris once ED finalized

Applicability of New Separate Standard

Description

- Shorter and more succinct description
- On balance more prescriptiveness
- Consideration of audit response – link to what is in the separate standard
- Not appropriate for listed – still need to consider whether to extend that to other types of entities (e.g., PIEs)



Separate Standard—Overarching Principles



Still need to decide:

- Application material
- Link back to the ISAs

Development of the Separate Standard

International Standards on Auditing

Core procedures for
reasonable assurance opinion



Separate Standard – following the flow of
the audit

Make standard
more targeted to
apply – more
effective and
efficient audit

Separate Standard—Reference Group and Other Targeted Outreach

- LCE Reference Group
 - 15 participants from many jurisdictions, including some we don't ordinarily hear from (e.g., India, Indonesia, Barbados, Argentina)
 - Checking at critical junctures - “pulse check”
 - Participants who may not ordinarily engage with in our process
 - Focus on practitioners, but range of others including two public sector
 - Different to the Working Group (not intended to duplicate) – interactions undertaken on a more agile basis
- IFAC SMP Advisory Group

Matters for Consideration

- **Question 2:**

CAG Representatives are asked for views on the proposed applicability of the separate standard to be developed and the overarching principles to develop this standard

- **Question 3:**

CAG Representatives are asked whether there are any other matters that the IAASB should consider as it progresses its two initiatives in relation to Audits of LCEs





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