

Meeting: IAASB Consultative Advisory Group (CAG)
Meeting Location: Virtual Meeting
Meeting Date: September 7–8, 2022

Agenda Item B

Audits of Less Complex Entities (LCE) – Cover

Objective of Agenda Item

1. The objectives of this agenda item are to:
 - Report back on the IAASB CAG Representatives' comments on the project to develop the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) at the September 2021 CAG meeting;
 - Update the Representatives on the ISA for LCE project; and
 - Obtain Representatives views on certain aspects of ISA for LCE project.

Project Status

2. At the June 2021 meeting, the IAASB approved the [exposure draft of ISA for LCE](#) (ED-ISA for LCE). The draft standard was published for consultation in July 2021 and the comment period closed in January 2022.
3. The IAASB received 145 comment letters providing feedback on the ED-ISA for LCE. A breakdown of respondents by stakeholder group and by region is illustrated below:

Stakeholder Group	Number
Monitoring Group	2
Investors and Analysts	1
Regulators and Audit Oversight Authorities	11
Jurisdictional/ National Standard Setters (NSS)	15
Accounting Firms	29
Public Sector Organizations	6
Professional Accountancy Organizations	69
Academics	4
Individuals and Others	8
Total	145

Stakeholder Group	Number
Global	25
Asia Pacific	25
Europe	54
Middle East and Africa	17
North America	12
Central & South America	12
Total	145

4. During the comment period of ED-ISA for LCE, significant outreach was conducted. Stakeholders from over 90 countries attended IAASB, International Federation of Accountants (IFAC) or other related events, which included roundtables, presentations, webinars and Linked-In Live discussions.
5. In collaboration with IFAC, the IAASB also developed a [survey](#), available in English, Spanish and French, to offer an alternative way to participate in the consultation, and obtained 250 responses.
6. In May 2022 a third Paris Conference for Audits of LCEs was held with the aim of deepening the IAASB's understanding of some of the more substantial matters that will be considered as the draft standard is progressed. Key messages from this conference have been included in the [Key Takeaways](#) publication.
7. The LCE Task Force (the Task Force) Chair also provided a high-level summary of the feedback to the IAASB NSS at its May 2022 meeting and obtained views on some targeted matters.
8. Pervasive themes identified from the above responses and outreach, along with the Task Force's views and recommendations on the way forward, have been discussed with the Board in its [June 2022 IAASB meeting](#) and will be discussed in its [September 2022 meeting](#).
9. **Appendix A** to this paper provides a history of previous discussions with the IAASB CAG and IAASB on this topic, including links to the relevant IAASB CAG documentation.

Way Forward

10. The Task Force intends to use the direction provided during the September IAASB CAG and September IAASB meetings to commence the drafting in targeted areas identified as in need of more significant revisions (e.g., the Authority, risk identification and assessment (Part 6 of ED-ISA for LCE) and requirements relating to accounting estimates).
11. The Task Force will also continue to analyze the responses to questions included in the Explanatory Memorandum and bring them for discussion with the Board at an appropriate time based on their significance and the timing of related drafting.
12. The Task Force intends to provide the Board with a full draft of Part 10, *Audits of Group Financial Statements* in December 2022, with the intention to approve the Part for public exposure in March 2023, with a 3-month comment period.

IAASB CAG Discussion in September 2022

13. For purposes of the IAASB CAG discussion, the Task Force Chair will walk the Representatives through a presentation that summarizes the key themes heard from the exposure draft and highlighting two key areas identified for Representatives input (**Agenda Item B.1**), being.
- Authority of the standard (**Agenda Item B.3**, **Agenda Item B.4**, section I)
 - Audits of group financial statements (**Agenda Item B.2**, **Agenda Item B.4**, section III)

Matters for IAASB CAG Consideration

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).
2. The drafting of Part 10, Group Audits as presented in **Agenda Item B.2**.
3. Any other matters that Representatives may wish to raise on the project.

Feedback

14. Extracts from the approved minutes of the September 2021 IAASB CAG meeting, as well as an indication of how the Task Force or IAASB has responded to the Representatives' comments, are included in the table below.

Representatives' Comments	Task Force / IAASB Response
OVERALL COMMENTS	
Mr. Thompson and Ms. McGeachy expressed strong support for the project and the extended period for consultation. Mr. Thompson welcomed the robust outreach program and explained that he hoped to organize additional regional outreach activities within Europe in association with partners, including Accountancy Europe. He also highlighted the importance of hearing from small- and medium-sized practitioners and small- and medium-sized entities.	Support and point noted.
Mr. Dalkin closed the session by commending the IAASB on the speed of developing and publishing ED-ISA for LCE and noted that the IAASB CAG was looking forward to hearing the public views.	Point noted.

Material Presented – IAASB CAG Papers

Agenda Item B.1: Presentation

Agenda Item B.2: Draft of Part 10, *Audits of Group Financial Statements*

Material Presented – IAASB CAG Reference Papers

Agenda Item B.3: Updates to Part A, Authority of the ISA for LCE (For Reference)

Agenda Item B.4: Audits of LCEs IAASB Issues Paper September 2022 (For Reference)

Project Details and History

Project: Audits of Less Complex Entities

Link to IAASB Focus Area Page: [ISA for LCE Focus Area Page](#)

Link to IAASB Project Page: [Audits of Less Complex Entities Project Page](#)

Task Force Members

The Task Force comprises:

- Kai Morten Hagen, IAASB Member and Task Force Chair
- Julie Corden, IAASB Member
- Chun Wee Chiew, IAASB Member
- Sachiko Kai, IAASB Member
- Vivienne Bauer, IAASB Technical Advisor

Summary

	IAASB CAG Meeting	IAASB Meeting
Information Gathering	March 2017 September 2017 September 2018 March 2019 March 2020 September 2020	March 2017 March 2018 (Executive session) September 2018 March 2019 December 2019 April 2020 June 2020
Project Proposal	December 2020	December 2020
Development of Exposure Draft of ISA for LCE	March 2021 September 2021	March 2021 May 2021 June 2021
Development of final ISA for LCE		June 2022

IAASB CAG Discussions: Detailed References

Information gathering	<p><u>March 2017</u> See IAASB CAG meeting material (Agenda Item G) and meeting minutes: IAASB CAG Meeting - March 7-8. 2017 (New York)</p> <p><u>September 2017</u> See IAASB CAG meeting material (Agenda Item C) and meeting minutes: IAASB CAG Meeting - September 11-12. 2017 (Madrid)</p> <p><u>September 2018</u> See IAASB CAG meeting material (Agenda Item I) and meeting minutes (Agenda Item A) IAASB CAG Meeting - September 11-12. 2018 (New York)</p> <p><u>March 2019</u> See IAASB CAG meeting material (Agenda Item E) and meeting minutes: IAASB CAG Meeting - March 5-6. 2019 (New York)</p> <p><u>March 2020</u> See IAASB CAG meeting material and CAG meeting minutes (Agenda Item N) IAASB CAG Meeting - March 10-11. 2020 (New York)</p> <p><u>September 2020</u> See IAASB CAG meeting material (Agenda Item E) IAASB CAG Meeting - September 8-9. 2020 (Virtual)</p>
Project Proposal	<p><u>December 2020</u> See IAASB CAG meeting material and CAG meeting minutes (Agenda Item A) IAASB CAG Meeting - December 1. 2020 (Virtual)</p>
Development of Exposure Draft of ISA for LCE	<p><u>March 2021</u> See IAASB CAG meeting material (Agenda Item D) IAASB CAG Meeting - March 8-9, 2021 (Virtual)</p> <p><u>September 2021</u> See IAASB CAG meeting material (Agenda Item F) IAASB CAG Meeting - September 8-9, 2021 (Virtual)</p>