

### Audits of Less Complex Entities – Selected Issues

#### Objectives of the Board Discussion

The objectives of this session are to:

- a) Obtain the Board's input on proposed revisions to the following parts of the proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE):
  - (a) Part 2, *Audit Evidence and Documentation*;
  - (b) Part 3, *Engagement Quality Management*;
  - (c) Part 4, *Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements*;
  - (d) Part 5, *Planning*;
  - (e) Part 6, *Risk Identification and Assessment*;
  - (f) Requirements relating to Accounting Estimates; and
- b) Obtain direction regarding the way forward with respect to the ISA 800-series.<sup>1</sup>

#### Board Discussion

##### Issues Paper

This paper describes the issues addressed by the Less Complex Entities (LCE) Task Force (the Task Force) and for discussion with the IAASB at its March 2023 meeting.

The following appendices to this Agenda Item have been presented:

<b>Appendix 1</b>	Task Force Members and Activities
<b>Appendix 2</b>	Reconciliation of ED-ISA for LCE Question Analysis

In addition to this issues paper, the following agenda items have been presented:

<b>Agenda Item 6-A</b>	Explanation of Significant Changes to Proposed ISA for LCE (Targeted Areas)
<b>Agenda Item 6-B</b>	Proposed ISA for LCE (Targeted Areas) – Marked
<b>Agenda Item 6-C</b>	Proposed ISA for LCE (Targeted Areas) – Clean

<sup>1</sup> The ISA 800-series includes: ISA 800 (Revised), *Special Considerations – Audits of Financial Statements prepared in accordance with Special Purpose Frameworks*; ISA 805 (Revised), *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*.

<b>Supplement 1 to Agenda Item 6</b>	Respondent Summary Analysis (Targeted Areas)
<b>Supplement 1-01 to Agenda Item 6</b>	Respondent Detailed Comments (Q9 - Part 2 and Specific Documentation Requirements)
<b>Supplement 1-02 to Agenda Item 6</b>	Respondent Detailed Comments (Q9 – Part 3, Specified Responses from Q7(c))
<b>Supplement 1-03 to Agenda Item 6</b>	Respondent Detailed Comments (Q9 - Part 4)
<b>Supplement 1-04 to Agenda Item 6</b>	Respondent Detailed Comments (Q9 - Part 5)
<b>Supplement 1-05 to Agenda Item 6</b>	Respondent Detailed Comments (Q9 – Accounting Estimates)
<b>Supplement 1-06 to Agenda Item 6</b>	Respondent Detailed Comments (Q16 – ISA 800 Series)

## Introduction

### What Have We Done Since We Last Met?

1. **Appendix 1** sets out the members of the Task Force, as well as its activities.
2. Following direction provided by the Board in the December 2022 IAASB meeting (see draft minutes on [IAASB Meetings Page](#)), the Task Force proposed further revisions to Part 6, *Risk Identification and Assessment*.
3. The Task Force also continued to analyze responses to the [Exposure Draft](#) of the ISA for LCE (ED-ISA for LCE) and has proposed revisions in the following areas of the proposed ISA for LCE:
  - (a) Part 2, *Audit Evidence and Documentation*;
  - (b) Part 3, *Engagement Quality Management*;
  - (c) Part 4, *Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements*;
  - (d) Part 5, *Planning*; and
  - (e) Requirements relating to Accounting Estimates (including specific requirements from Part 7, *Responding to Assessed Risks of Material Misstatement*).
4. The Task Force also discussed the way forward regarding the inclusion of requirements addressing the ISA 800-series, based on feedback from ED-ISA for LCE.
5. A reconciliation of the questions for respondents of ED-ISA for LCE (“respondents”), along with the date discussed or the expected date to be presented to the Board for discussion is described in **Appendix 2**.

### Liaison with Others

6. IAASB staff met with the International Ethics Standards Board for Accountants (IESBA) staff to provide a general update on the project. IAASB staff will continue to liaise with IESBA, along with

IAASB staff leading the project addressing definitions of listed entities and public interest entities in the International Standards on Auditing (ISAs), regarding any further changes to the Authority that may be relevant.

7. As the LCE project continues to progress and further revisions are proposed, Staff supporting the LCE project will consider liaising with other task forces, working groups or consultations groups as appropriate.

## **I. Part 2 – Audit Evidence and Documentation and Documentation Requirements in Other Parts**

### **Background**

8. Concerns in relation to the documentation requirements within the ISAs was a common theme in many of the responses to the IAASB's 2019 Discussion Paper, [Audits of Less Complex Entities: Exploring Options to Address the Challenges in Applying the ISAs](#). Respondents to the discussion paper highlighted that the requirements related to documentation in the ISAs were disproportional for LCEs, and, in this context, do not add value or enhance audit quality. It was noted that it can be burdensome to go through a process of elimination to determine which requirements do not apply, as well as to document why they may not be applicable. Addressing these concerns was therefore highlighted as a focus area in the [Project Proposal](#), to be considered when determining the nature and design of the ED-ISA for LCE.
9. When developing the ED-ISA for LCE, the IAASB was of the view that the overall approach to presenting documentation requirements in the proposed ISA for LCE should be consistent with the approach used in the ISAs. The documentation requirements in ED-ISA for LCE include overarching principles and general requirements in Part 2 and then individual Parts contain relevant specific documentation requirements, in the same way as the ISAs contain more specific documentation requirements, which are to be complied with in addition to the general documentation requirements set out in Part 2.
10. In line with ISA 230<sup>2</sup>, the approach in ED-ISA for LCE is that documentation included in the audit file should be sufficient to enable an experienced auditor, having no previous experience with the audit, to understand the nature, timing and extent of the audit procedures undertaken, the results of the audit procedures and the audit evidence obtained, significant matters arising during the audit and the conclusions thereon, including significant professional judgments made in reaching those conclusions.

### **What We Heard**

11. As described in the [June 2022 Issues Paper](#), a significant theme raised by respondents was that if the intention of the IAASB was not to differentiate the work effort or documentation requirements for an audit using the proposed ISA for LCE from those in the ISAs, stakeholder expectations may not be met. Respondents commented that clarifying what documentation was sufficient and appropriate to demonstrate the outcome of audit procedures was an area where improvements could be made. Respondents noted that the documentation needed for an audit of an LCE was not proportional to its matters and circumstances (in particular in the areas of understanding the entity's system of internal

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<sup>2</sup> ISA 230, *Audit Documentation*

control, and risk identification and assessment (as also described in the [September 2022 Issues Paper](#))).

12. In response to Q9 (which asked for feedback on the content of Part 1-8 of ED-ISA for LCE), respondents provided feedback on requirements relating to Part 2, *Audit Evidence and Documentation*, as well as comments more generally relating to documentation, which are presented in **Supplement 1-01**.

#### *General Documentation Requirements*

13. Respondents noted that the documentation required by the proposed ISA for LCE was too extensive and that there was no real differentiation between what would be documented using the ISAs and the proposed ISA for LCE. Respondents suggested that guidance could be added to Part 2 to help auditors better understand how to apply documentation principles in an appropriately proportional manner. For example, respondents noted that guidance could be added from application material in ISA 230 to note that it is not necessary or practicable to document every matter that occurs in an audit.
14. Respondents also suggested that the proposed ISA for LCE should be explicit that:
  - Only relevant matters should be documented; and
  - When a requirement has been considered not applicable, the auditor is not required to explain and document why the requirement was not applicable. Respondents noted that this exercise is time consuming for auditors of an LCE and does not result in any increase in audit quality.
15. Respondents questioned if it was possible to emphasize the use of professional judgment when deciding what matters are significant enough to document, noting that allowing for more flexibility about the nature and extent of documentation may help to address the concerns identified by auditors of LCEs.

#### *Specific Documentation Requirements in Other Parts*

16. Respondents questioned if all of the specific documentation requirements included in each part were needed or if the general documentation requirements contained in Part 2 were sufficient given they encompass all significant matters and judgments in the audit. They noted that specific documentation requirements were often procedural in nature.
17. Respondents also noted that some specific documentation requirements, such as those in Part 5 or Part 6 were too granular or may not be needed. On the other hand, respondents did question why some requirements from the ISAs were not included, such as those in relation to the use of experts or relying on the testing of controls from previous periods. Respondents also noted that some documentation requirements may be better placed in other sections to better match where the corresponding requirements are.
18. In regard to presentation, respondents suggested that a section that combines all specific documentation requirements together, rather than (or in addition to) including them in individual parts would be helpful for auditors.

## The Task Force Views and Recommendations

### *Overall Approach to Documentation*

19. The Task Force discussed the pervasive theme that respondents raised in response to ED-ISA for LCE regarding the need to further differentiate the documentation requirements from those in the ISAs, to be more proportional to an audit of a typical LCE. The Task Force noted that in practice auditors often document how they have addressed each relevant requirement (i.e., rather than just those required by general or specific documentation requirements). Therefore, respondents' concerns relating to documentation would require consideration of more than just the general documentation requirements included in Part 2 and specific documentation requirements included in other parts, but also requirements in the proposed ISA for LCE more generally.
20. The Task Force noted that the most significant areas of concern for respondents (i.e., areas where the level of documentation was not proportional) related to parts or matters that the Task Force had already identified as priority areas for revisions (e.g., Part 6). In revising these areas, the Task Force made requirements more proportional (and specifically reduced the granularity of many of these requirements) and the Task Force is of the view that more proportional requirements would result in the corresponding documentation being more proportional, which would help address respondents' concerns regarding documentation.
21. The Task Force discussed if there were other approaches that could be taken to further differentiate the documentation requirements from the ISAs. For example, the Task Force considered moving away from the key principles described in paragraphs 9 and 10, and allowing more judgment in what can be documented, rather than general and specific documentation requirements that always apply. The Task Force is of the view that such an approach may be seen to negatively impact audit quality, cause confusion for auditors and would not be acceptable to regulators or other stakeholders. In addition, allowing too much judgment may strengthen concerns from some stakeholders that an audit undertaken using the proposed ISA for LCE may not be perceived as of the same quality as one performed using the ISAs.
22. The Task Force considered the suggestions from respondents for additional guidance to help clarify how to apply the general documentation principles and proposes to add further Essential Explanatory Material (EEM) in Part 2 based on application material from ISA 230 (including paragraphs A5 and A7). Ultimately however, the Task Force is of the view that how to apply documentation requirements in an audit of an LCE is a topic better suited to implementation material.

### *Need for Specific Documentation Requirements*

23. The Task Force discussed if specific documentation requirements were needed in addition to the general documentation requirements in Part 2.5. and considered the Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles And Guidelines and how it might apply to an audit of an LCE. Chapter 13 of the [CUSP Drafting Principles and Guidelines](#) notes that individual ISAs do not necessarily require specific documentation requirements unless:
  - (a) The intention is to clarify how the ISA 230 documentation requirements apply in the circumstances of those individual ISAs.
  - (b) There are concerns that ISA 230 may not be consistently applied in practice in the circumstances of those individual ISAs.

24. Chapter 13 of the CUSP Drafting Principles and Guidelines also describes factors to consider when deciding whether a specific documentation requirement is necessary, which include considerations relating to:
- Clarity (e.g., an audit area with higher inherent risk such as fraud or accounting estimates);
  - Consistency (e.g., regulator feedback may indicate documentation requirements are not consistently applied in practice); and
  - Compliance (e.g., a requirement that a specific document must be prepared such as the audit plan).
25. Based on this, the Task Force is of the view that specific documentation requirements would still be relevant for an audit of an LCE, as some of these factors would still apply. For example, requirements addressing accounting estimates or fraud.

*Other Changes to Part 2 and Specific Documentation Requirements*

26. The Task Force reviewed the specific documentation requirements included in different parts and identified some requirements that were repetitive or should be moved to be in the same part as the corresponding requirement which is being documented. The Task Force also proposed to add EEM to each specific documentation section. The EEM explains that the specific documentation requirements are in addition to the general documentation requirements.
27. Based on analysis of respondent detailed comments, the Task Force also proposes other revisions to Part 2 and specific documentation requirements in other parts. Please refer to **Agenda Item 6-B** for the proposed changes and **Agenda Item 6-A** for explanations of the significant changes.
28. The Task Force did consider the following suggestions from respondents but is of the view that no revisions were needed:
- (a) *Documentation of Non-Relevant Requirements.* The Task Force noted that this is not an LCE specific issue and did not believe that it was appropriate to include an explicit statement in the proposed ISA for LCE regarding this matter. The Task Force will revisit this matter when it considers the detailed feedback from respondents to Part 1, which includes general principles about compliance with the requirements in the proposed ISA for LCE.
  - (b) *Presentation of Specific Documentation Requirements.* The Task Force is of the view that combining all specific documentation requirements in one section may be perceived by auditors as a complete “checklist” of everything that may need to be documented in an audit and auditors may not take into account additional documentation resulting from the application of the general documentation principles being applied. The Task Force is of the view that this could be an area considered further when determining the electronic presentation of the standard.

**Matters for Board Consideration**

1. The Board is asked for their views on:
  - (a) The Task Forces proposed approach to addressing respondents' comments relating to documentation; and
  - (b) The proposed changes to Part 2 and specific documentation requirements in other parts, as presented in **Agenda Item 6-B**.

**II. Part 3 – Engagement Quality Management****Background**

29. As described in the [June 2022 Issues Paper](#), Quality Management was identified by respondents as an area which could be revised to be more proportional to the nature and circumstances of a typical LCE. Therefore, the Task Force suggested that Quality Management was one of the areas where it would be most impactful to make holistic changes.
30. In response to question 9 respondents provided feedback on requirements relating to Part 3, *Engagement Quality Management*. In addition, respondents provided comments relating to quality management in response to question 7(c) (which asked about principles relating to professional skepticism and professional judgement, relevant ethical requirements and quality management). Relevant comments are presented in **Supplement 1-02**.

**What We Heard**

31. Generally, respondents were supportive of the requirements and EEM in Part 3, other than indicating the need for more proportionality, as noted in paragraph 29 above. This was reflected in their comments on questions 7(c) and 9. Respondents noted that many LCE audits are carried out entirely by the engagement partner (who may be a sole practitioner). To reflect this practice, respondents suggested to restructure Part 3 or some of its requirements. However, few specific suggestions were received on how to do so. Some of the suggestions received include the following:
  - (a) Have conditional requirements for when there are members of the engagement other than the engagement partner. It was noted that these requirements could be similar to requirements in ISA 600 (Revised)<sup>3</sup> for component auditors and that there could be a header to distinguish them from other requirements.
  - (b) Delete repetitive requirements. It was noted that some of the paragraphs seem repetitive and belaboring the point in places. For example, it was noted that the EEM to paragraph 3.2.1 seems to repeat the requirements that follow (paragraphs 3.2.3 and 3.2.4).
32. In addition, respondents had various other suggestions on how to enhance Part 3, including the following:
  - (a) *Obtaining an understanding of the monitoring and remediation process (paragraph 3.2.10)*. Respondents noted that small and medium-sized practitioners will most likely have less formal processes that are supplemented by other sources such as guidance from professional

<sup>3</sup> ISA 600 (Revised), *Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)*

accounting organizations and consulting colleagues in other firms. Therefore, they suggested to make paragraph 3.2.10. a conditional requirement.

- (b) *Engagement quality review (paragraph 3.2.13)*. Respondents had different views on the requirement which addresses the situation that an engagement quality review is required. On one hand, respondents noted that engagement quality reviews are not typically used in the audit of an LCE and noted that the use of an engagement quality reviewer is an indicator of complexity. Therefore, they suggested to delete paragraph 3.2.13 or make it conditional. Other respondents noted that although the reason for appointing an engagement quality reviewer can be an indicator of complexity, it is not always the case. These respondents were of the view that an engagement quality reviewer could be appointed to respond quality risks such as for an initial audit or an audit performed by an auditor with recently obtained signing rights. They suggested to explain this in the EEM.
- (c) *Consulting with others in the firm regarding a threat to compliance with relevant ethical requirements or when relevant ethical requirements have not been fulfilled (paragraph 3.2.6(b))*. Respondents noted that smaller audit firms might use other sources for consultation, such as experienced colleagues in other firms, within their network or from professional institutes where they are members. As such, they noted that the reference to “in the firm” is too prescriptive and suggested to delete it.

33. In addition to the above, respondents had several suggestions on how to enhance Part 3 by changing the wording, restructuring the requirements, removing repetitions, or adding EEM.

### **The Task Force Views and Recommendations**

34. The Task Force discussed the comments received and focused on how to make Part 3 more proportional to the nature and circumstances of a typical LCE. Therefore, the Task Force is proposing the following changes:

- (a) *Separate sections for when there is more than one member in the engagement team*. The Task Force introduced separate sections for when there is more than one member in the engagement team. To differentiate these paragraphs (and related EEM), they were placed in a text box with the header “Considerations When There Are Members of the Engagement Team Other Than the Engagement Partner”. Also, above paragraph 3.2.1., the purpose of the text boxes is explained.
- (b) *Repetitive requirements and EEM*. The Task Force deleted requirements and EEM that were deemed repetitive of each other and changed the structure of paragraphs 3.2.1–3.2.4. The main changes include the following:
  - (i) Deleting paragraph 3.2.3 as it was deemed to be covered by paragraphs 3.2.1(a) and 3.2.1.A; and
  - (ii) Deleting paragraph 3.2.9, and (parts of) the EEM related to paragraphs 3.2.2 and 3.2.13A as it was deemed not proportional for the nature and circumstances of a typical LCE.

35. In response to the matters noted in paragraph 32, the Task Force responded as follows:
- (a) *Obtaining an understanding of the monitoring and remediation process (paragraph 3.2.10).* The Task Force recognizes respondents' concerns and is of the view that even though the firm's monitoring and remediation process may be less formal, there still needs to be a monitoring and remediation process in place (as per ISQM 1).<sup>4</sup> The Task Force did enhance the requirement by simplifying the structure.
  - (b) *Engagement quality review (paragraph 3.2.13)* – The Task Force recognizes respondents' concerns and is of the view that all requirements in the ISA for LCE are conditional and that in certain circumstances the assignment of an engagement quality reviewer is not an indicator of complexity. However, the Task Force intends to include guidance highlighting this in the Authority Supplemental Guide.
  - (c) *Consulting with others in the firm regarding a threat to compliance with relevant ethical requirements or when relevant ethical requirements have not been fulfilled (paragraph 3.2.6(b))* The Task Force is of the view that the requirement should not be changed as it would be most appropriate to consult within the firm regarding a threat to compliance with relevant ethical requirements or when relevant ethical requirements have not been fulfilled. Instead, the Task Force added EEM to indicate that the engagement partner may consult with others outside the firm if there are no others in the firm to consult with

#### Matters for Board Consideration

2. The Board is asked for their views on proposed revisions to Part 3 as presented in **Agenda Item 6-B**.

### III. Part 4 – Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements

#### Background

36. The Task Force analyzed the responses to question 9 (i.e., views on the content of Parts 1 through 8) in the Explanatory Memorandum (EM) of ED-ISA for LCE, focusing on the responses to Part 4, *Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements*. Respondents' feedback is presented in **Supplement 1-03**.

#### What We Heard

37. Respondents generally were supportive of the content of this Part as demonstrated by the number of comments provided.
38. Of the comments that were received, the Task Force identified the following themes:
- (a) *Engagement Letter or Written Agreement*. Related to the content required to be included in the engagement letter or other written agreement, respondents noted that:

<sup>4</sup> International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

- (i) The audit engagement letter or other suitable form of written agreement should include the eventuality that, as the audit progresses, the auditor determines that the proposed ISA for LCE is no longer applicable and therefore a transition to the use of the full ISAs may be necessary.
  - (ii) There is no need to include a requirement to record in an audit engagement letter or other suitable form of written agreement that the audit will be undertaken using the proposed ISA for LCE (requirement 4.8.4) as it should be sufficient to document that an audit will be undertaken.
- (b) *Terms of the Audit Engagement* – Respondents noted that when the auditor is requested to change the audit engagement to an engagement that conveys a lower level of assurance, the auditor must consider whether this is permitted by local law or regulation thus this notion should be added. Other respondents noted that paragraph 4.5.4. can be removed as the proposed ISA for LCE will not apply any more if the auditor is requested to change the audit engagement to an engagement that conveys a lower level of assurance.
- (c) *Initial Audit Engagements* – Respondents suggested to add more EEM to support the requirements for initial audit engagements, in particular regarding the nature and extent of procedures that are necessary to obtain sufficient appropriate audit evidence. In that regard, it was suggested to include paragraphs A3 and A7 of ISA 510.<sup>5</sup> since this section is lacking guidance to help auditors to properly perform procedures.
39. In addition, various unrelated comments were received relating to individual requirements or EEM, or on the structure of the Part (of which no significant themes were identified).

### The Task Force Views and Recommendations

40. Based on detailed analysis of respondent comments, the Task Force proposes revisions to Part 4. Please refer to **Agenda Item 6-B** for the proposed changes and **Agenda Item 6-A** for explanations of the significant changes, other than as discussed below.

#### *Engagement Letter or Written Agreement.*

41. The Task Force discussed respondents' comments that the audit engagement letter or other suitable form of written agreement should include that there is a possibility of transitioning to the ISAs from the ISA for LCE. In that regard, the Task Force noted that such a requirement is not included in the ISAs and that it may not be appropriate to be required at an international standard level, as it may conflict with local regulations (for example, some jurisdictions do not allow changes to the engagement terms after agreement other than for certain reasons). However, the Task Force proposes to include in implementation guidance that it may be helpful for the auditor to make reference in the terms of the audit engagement to the possibility of transitioning to the ISAs from the ISA for LCE. This guidance may be based on ISA 210,<sup>6</sup> paragraph A25.
42. The Task Force also discussed whether there is a need for a requirement that specifies in the engagement letter or written agreement that the audit will be undertaken using the proposed ISA for LCE. The Task Force noted that one of the key reasons for including the requirement in the ED-ISA

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<sup>5</sup> ISA 510, *Initial Audit Engagements—Opening Balances*

<sup>6</sup> ISA 210, *Agreeing the Terms of Audit Engagements*

for LCE was due to concerns relating to transparency over which auditing standards were used. However, the Task Force noted that both the ISAs and proposed ISA for LCE provide reasonable assurance and that the ISAs do not have a similar requirement. Therefore, the Task Force proposes to remove the specific requirement for the auditor to record in the engagement letter or written agreement that the audit will be undertaken using the ISA for LCE.

#### *Terms of the Audit Engagement*

43. The Task Force added EEM to address respondents' comments in this area. Please refer to **Agenda Item 6-A**, EEM under 4.5.4. for explanations of the significant changes.
44. The Task Force considered respondents' comments to remove paragraph 4.5.4 and is of the view that the requirement should not be deleted as proposed ISA for LCE may be used for voluntary audits and therefore may be relevant. In addition, the Task Force noted that it would be appropriate to determine whether there is a reasonable justification for changing the audit engagement to an engagement that conveys a lower level of assurance, consistent with how it is addressed in ISA 210.

#### *Initial Audit Engagements*

45. To address respondents' comments the Task Force added EEM based on ISA 510 paragraph A3. Respondents noted that this application material is useful to determine the nature and extent of audit procedures necessary to obtain sufficient appropriate audit evidence regarding opening balances when performing an initial audit engagement.

#### **Matters for Board Consideration**

3. The Board is asked for their views on the changes made to Part 4 as presented in **Agenda Item 6-B**.

## **IV. Part 5 – Planning**

### **Background**

46. The Task Force analyzed the responses to question 9 (i.e., views on the content of Parts 1 through 8) in the EM of ED-ISA for LCE, focusing on the responses to Part 5, *Planning*. Respondents feedback is presented in **Supplement 1-04**.

### **What We Heard**

47. Respondents generally were supportive of the content of this Part with few comments provided regarding the proposed requirements. There were suggestions for EEM based on specific requirements or application material from the ISAs. In particular, respondents suggested the addition of more guidance on using the work of a management's expert. In that regard, it was noted that there is extensive application material in ISA 500<sup>7</sup> and there is no related EEM in the proposed ISA for LCE. Respondents also noted that "Materiality" is an area where auditors often seek guidance so more EEM was suggested for the area (see further details below).

<sup>7</sup> ISA 500, *Audit Evidence*

## 48. Respondents noted:

- (a) *Using the Work of Experts (management’s expert and auditor’s expert)*. Respondents noted that this section may be less relevant or not needed since the use of an expert may be an indicator of complexity. It was suggested to include EEM to address this point, as well as additional EEM to support the requirements included. For example, guidance that explains:
- What to consider in relation to competence, capabilities and objectivity when evaluating a management’s expert;
  - How understanding of the work of the management’s expert may be obtained; or
  - What may be considered when evaluating the appropriateness of the management’s expert’s work.
- (b) *Going Concern*. Respondents noted that management of an LCE is more likely to only perform an informal assessment of the entity’s ability to continue as a going concern, particularly at the preliminary stage. Therefore, it was suggested that the proposed ISA for LCE should clarify that the assessment does not have to be written or provide other guidance around its informal nature. Respondents also noted that the related requirements may be relocated since having going concern related content in many different parts (i.e., currently included in each part from Part 5 through Part 9) may cause confusion. It was suggested to move the going concern related requirements and EEM to other parts, such as Part 6.
- (c) *Materiality*. Respondents noted that more guidance is needed to determine materiality and performance materiality, such as considerations related to identifying an appropriate benchmark and determining a percentage to be applied to a chosen benchmark. Also, respondents noted this guidance should include considerations for non-profit and profit-oriented organizations. In addition, respondents suggested to add the concept of “clearly trivial misstatement” in Part 5 instead of Part 7 and 8 since it is more consistent with the flow of an audit (i.e., auditors would calculate a clearly trivial threshold at the planning stage before designing and performing further audit procedures).
- (d) *Specific Communication Requirements*. Respondents noted that the proposed ISA for LCE should make it clearer that oral communications are permitted and may be appropriate for certain circumstances considering that in an LCE the communications with management or those charged with governance are more likely to be oral.

**The Task Force Views and Recommendations**

49. Based on detailed analysis of respondent comments, the Task Force proposes revisions and additional guidance to Part 5. Please refer to **Agenda Item 6-B** for the proposed changes and **Agenda Item 6-A** for explanations of the significant changes, other than those described below.

*Using the Work of Experts*

50. The Task Force discussed respondents’ comments regarding the use of management’s expert or auditor’s expert and noted that, as previously discussed with the Board, it could be an indicator of complexity but that this is not always the case. The Task Force noted that in an LCE there may not be the necessary expertise in a field other than accounting or auditing so a management’s expert

work or auditor's expert's work may be used. Therefore, the Task Force is of the view that when an expert is used, the nature and circumstances of the underlying matter drive the auditor's determination of complexity, not the use of the expert itself.

51. The Task Force is of the view that this matter would be better addressed through the Supplemental Guidance rather than EEM since it relates to the determination whether the standard can be used or not. In that regard it was noted that this matter is already discussed in the Supplemental Guidance for the Authority and the Task Force intends to clarify the Supplemental Guidance.
52. The Task Force also added EEM to address respondents' comments requesting further guidance on using the work of experts. Please refer to **Agenda Item 6-A**, EEM under 5.2.8. for explanations of the significant changes made.

#### *Going Concern*

53. Regarding the relocation of the going concern related requirements, the Task Force noted that the requirements in Part 5 are "Risk Assessment Procedures and Related Activities" in ISA 570.<sup>8</sup> Therefore, the Task Force is of the view that those requirements are better placed in Part 6 and proposes to move the requirements to Part 6.
54. Regarding respondents' comments that going concern assessments are generally informal in an LCE, the Task Force is of the view that requirements relating to going concern that are performed during the risk identification and assessment stage could be more proportional, and so removed the reference to an explicit preliminary assessment and instead proposed a more direct inquiry with management focusing on the outcome of the procedure (see explanation of changes to paragraphs 5.2.12. and 6.3.A. in **Agenda Item 6-A**). The Task Force noted that informal assessments for non-preliminary assessments is already addressed by EEM under paragraph 7.4.1.

#### *Materiality*

55. The Task Force added EEM and moved the documentation requirement on "clearly trivial misstatement" to Part 5 to address respondents' comments in this area. Please refer to **Agenda Item 6-A**, EEM under 5.3.1, EEM under 5.3.3. and 5.5.4.(d) for explanations of the significant changes made.

#### *Specific Communication Requirements*

56. The Task Force considered respondents' comments that communications with management or those charged with governance of an LCE are more likely to be oral. The Task Force noted that requirements regarding communications with management or those charged with governance are included elsewhere in the standard and considered where to place EEM that explains that such communications are often oral or informal. The Task Force proposes to add EEM that explains this in Part 1 which contains general requirements on communications. The location in Part 1 will be determined when proposed revisions to Part 1 are discussed.

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<sup>8</sup> ISA 570 (Revised), *Going Concern*

**Matters for Board Consideration**

4. The Board is asked for their views on the changes made to Part 5 as presented in **Agenda Item 6-B**.

**V. Part 6 – Risk Identification and Assessment****Background**

57. Based on the comments received during the December 2022 Board meeting, the Task Force proposes further revisions to Part 6 of the proposed ISA for LCE. Please refer to **Agenda Item 6-B** for proposed changes and **Agenda Item 6-A** for explanations of the significant changes.
58. Significant changes proposed include:
- (a) Reverting back the revisions proposed in December 2022 regarding to the presumption of fraud risk relating to revenue recognition. This is consistent with the decisions made in the IAASB's fraud project and direction from the Board.
  - (b) Further enhancing the requirements relating to understanding the entity's process to prepare its financial statements (paragraph 6.3.9) for clarity, including better describing what is required to be understood for significant classes of transactions, account balances and disclosures. The purpose of the changes is to ensure the requirements are not inappropriately more onerous than the corresponding requirement in ISA 315 (Revised 2019).<sup>9</sup>
  - (c) Reverting back the revisions proposed in December 2022 regarding the proposed work effort verb in paragraph 6.3.12A (relating to if the entity's processes appropriately support the preparation of its financial statements in accordance with the financial reporting framework). The Task Force considered the views expressed by the Board that it was a holistic evaluation that could easily be scaled for an LCE and changed the work effort verb from "consider" back to "evaluate" which is consistent with the work effort in the corresponding requirement in paragraph 25 of ISA 315 (Revised 2019).
  - (d) Clarifying the requirements relating to understanding services provided by a service organization (paragraphs 6.3.12B and 6.3.14). This is to respond to respondents' comments that it wasn't clear in ED-ISA for LCE which services were relevant to be understood, and the nature and extent of the procedures to be performed for doing so.
  - (e) Combining the requirements relating to the identification and assessment of assertion level risks (paragraph 6.4.1) with the requirement to identify relevant assertions and significant classes of transactions, account balances and disclosures given the process is iterative and typically performed together in an audit of an LCE.
59. The Task Force considered the following comments from the Board but decided not to propose revisions:
- (a) The Task Force considered the suggestion to revert back the description "process to prepare the entity's financial statements" in paragraph 6.3.9 to the entity's "information system" to be

<sup>9</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

consistent with ISA 315 (Revised 2019). While acknowledging that the terminology would be different than in ISA 315 (Revised 2019), the Task Force had the view that more direct language to focus on the process to prepare an entity's financial statements was appropriately proportional to a typical LCE. The Task Force was also of the view that the terminology used would not cause confusion to users, particularly considering other revisions proposed to clarify the intended scope of the requirement (as described in paragraph 58(b) above).

- (b) With regard to service organizations, the Task Force continues to believe that for a typical LCE, the auditor would be able to obtain the necessary audit evidence from records available in the user entity and would not need to rely on reports from the entity providing the services (e.g., 'Type 1' and 'Type 2' reports). Therefore, only the evaluation of the design and implementation of controls at the user entity are addressed in the EEM included in Part 6. Although this is described in the Authority Supplemental Guide, the Task Force intend to consider if further guidance needs to be added to the Authority to also reflect this matter.

#### Matters for Board Consideration

5. The Board is asked for their views on the changes made to Part 6 as presented in **Agenda Item 6-B**.

## VI. Accounting Estimates

### Background

60. As described in the [June 2022 Issues Paper](#), accounting estimates were identified by respondents to ED-ISA for LCE as an area where there was further opportunity to appropriately reduce the complexity of requirements and related documentation. However, these comments were based on the scope of accounting estimates that were described in the Authority of ED-ISA for LCE.
61. On the other hand, respondents to ED-ISA for LCE noted that complexity in an accounting estimate is not necessarily an indicator of complexity for the entity more broadly. It was also noted that the typical LCE may have one or a small number of accounting estimates that may be "more complex" and that the description of complex accounting estimates included in the qualitative characteristics in the Authority of the ED-ISA for LCE was difficult to apply. In June 2022, this feedback was discussed by the IAASB and it was suggested to further explore how the proposed ISA for LCE could be revised to better describe the type of accounting estimates held by a typical LCE, where appropriate.
62. In September 2022, the IAASB discussed respondents' comments regarding the type of accounting estimates that should be included in the scope of the proposed ISA for LCE and proposed to:
- (a) Revise the "accounting-estimate" specific qualitative characteristic included in the Authority to use more direct language focusing on the methods or models, assumptions or data typically involved in an entity's accounting estimates. The auditor's evaluation would be made on the overall nature and type of accounting estimates held by the entity at the time of the assessment, rather than requiring a detailed analysis of every accounting estimate that is held during client acceptance or continuance.
- (b) Add guidance for the auditor to consider if the entity is an LCE during the audit (i.e., to remind auditors to consider whether the presence of "more complex" accounting estimates indicates

that the entity is not an LCE and so the use of the proposed ISA for LCE may not be appropriate).)

- (c) Review requirements contained in the proposed ISA to LCE regarding accounting estimates and consider if any revisions are appropriate to address the new qualitative characteristic describing accounting estimates for which the standard is intended to be designed for (as described in (a) above).
63. Respondents provided comments regarding the requirements included in ED-ISA for LCE for accounting estimates in response to question 9, and other questions. Respondents feedback is presented in **Supplement 1-05**.

### What We Heard

64. In addition to the comments noted in paragraphs 60–61 above, respondents had the following comments on the paragraphs related to accounting estimates in Part 7:
- (a) *Additional EEM*. In several areas respondents suggested to add more guidance to support the requirements, including guidance to support the auditor’s procedures when the auditor tests how management made the accounting estimate and when the auditor develops an auditor’s point estimate or range. Several suggestions were received as to which paragraphs from ISA 540 (Revised) <sup>10</sup>could be brought in, including adding EEM to support an understanding of relevant considerations for the auditor in relation to the concepts of estimation uncertainty and selection of a point estimate.
- (b) *Requirements related to more complex accounting estimates*. Respondents questioned the applicability or suggested deleting certain requirements that may relate to more complex accounting estimates, including:
- Paragraph 7.4.8.(b)(ii) which requires the auditor to perform a retrospective review related to significant accounting estimates; and
  - Paragraph 7.6.3. which requires the auditor to communicate with management and those charged with governance about accounting estimates.
65. In addition to the above, respondents suggested several areas where the relevant requirements or EEM could be improved by changing the wording or removing repetitions.

### The Task Force Views and Recommendations

66. Based on detailed analysis of respondent comments, the Task Force proposes revisions and additional guidance to Part 7 for accounting estimates. Please refer to **Agenda Item 6-B** for the proposed changes and **Agenda Item 6-A** for explanations of the significant changes, other than those described below.
67. Taking into account the proposed revisions to the Authority and the Board’s discussion on accounting estimates, the Task Force reviewed the requirements and EEM in Part 7. Given the proposed

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<sup>10</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

revisions to the Authority,<sup>11</sup> the Task Force is of the view that the requirements and EEM related to accounting estimates in Part 7 should be strengthened and therefore did not delete any requirements, as was suggested by some respondents. To do so, the Task Force made the following changes to the requirements and EEM in the section on accounting estimates:

- (a) *Alignment with ISA 540 (Revised)*. ED-ISA for LCE, paragraph 7.4.18 included in one paragraph all three “approaches for testing” as set out in ISA 540 (Revised), along with the auditor’s procedures to obtain sufficient appropriate audit evidence. The Task Force is of the view that it would be clearer if there is one overarching requirement that sets out the three testing approaches for accounting estimates (paragraph 7.4.18) and have the procedures to obtain sufficient appropriate audit evidence in separate requirements for each of the testing approaches (see paragraphs 7.4.18B, 7.4.18C, 7.4.18D and 7.4.18E). This allowed the Task Force to build in EEM under each of the testing approaches if needed.
- (b) *Enhanced EEM*. The Task Force strengthened the EEM in several areas, for example:
- (i) When the auditor tests how management made the accounting estimate, the Task Force added EEM that includes relevant considerations for the auditor regarding the appropriateness of the method, significant assumptions and data used. This EEM is based on paragraphs A97, A102 and A106 of ISA 540 (Revised). Also, EEM was added that provides guidance for the auditor’s procedures that address whether management has taken appropriate steps to understand and address estimation uncertainty by selecting appropriate point estimates and developing related disclosures. This EEM is based on paragraph A111 and A112 of ISA 540 (Revised).
- (ii) When the auditor develops an auditor’s point estimate or range, EEM was added that is based on paragraph A120 and A124 of ISA 540 (Revised).
- (c) *Disclosures*. In the ED-ISA for LCE there was an overarching requirement for the auditor to design and perform further audit procedures related to accounting estimates to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement at the assertion level, including for disclosures (paragraph 7.4.16) and a specific requirement on disclosures when testing how management made the accounting estimate (paragraph 7.4.18(b)). Given the changes to the Authority and the proposed deletion of paragraph 7.4.16 (see **Agenda Item 6-A** for the rationale), the Task Force is of the view that there should be a requirement for the auditor to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement at the assertion level for disclosures related to an accounting estimate, regardless the testing approach selected (see paragraph 7.4.18.A.)

<sup>11</sup> The Authority includes the following qualitative characteristic related to the accounting estimates:

Application of the Financial Reporting Framework and Accounting Estimates	<p>Few accounts or disclosures in the financial statements of the entity necessitate the use of significant management judgment in applying the requirements of the financial reporting framework.</p> <p>The entity’s financial statements typically do not include accounting estimates that involve the use of complex methods or models, assumptions or data.</p>
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- (d) *Obtaining audit evidence from events occurring up to the date of the auditor's report.* The Task Force is of the view that in a typical audit of an LCE, audit evidence obtained from events occurring up to the date of the auditor's report often will provide sufficient appropriate audit evidence to address the assessed risks of material misstatement. Therefore, the Task Force added EEM (placed under paragraph 7.4.18) that steers the auditor to use that approach when auditing accounting estimates.

#### Matters for Board Consideration

6. The Board is asked for their views on proposed revisions to Part 7 relating to accounting estimates as presented in **Agenda Item 6-B**.

## VII. ISA 800-Series

### Background

68. As described in paragraph 150 of the EM, requirements relating to the ISA 800-series were not included in the ED-ISA for LCE as the IAASB agreed to focus on developing an auditing standard for audits of complete sets of general-purpose financial statements of LCEs first. The IAASB was of the view that consideration will be given at a later time to adding a part that addresses special considerations in the application of the requirements in Parts 1–9 to:
- Financial statements prepared in accordance with special purpose frameworks;
  - Audits of single financial statements and specific elements, accounts or items of a financial statement; and
  - If a need exists, address summary financial statements.
69. The Task Force analyzed the responses to question 16 in the EM which asked for views on if the proposed ISA for LCE should include a separate Part on the ISA 800-series. Respondents feedback is presented in **Supplement 1-06**.

### What We Heard

70. Respondents who provided a response to this question generally supported the inclusion of a separate part on ISA 800-series. These respondents were of the view that the ISA 800-series are relevant to LCEs, particularly for certain industries and jurisdictions (due to specific laws and regulations or professional requirements). In particular, it was noted that the use of special purpose frameworks may be common. Therefore, not including a part on the ISA 800-series may limit the applicability (and therefore use) of the proposed ISA for LCE. If not included, respondents noted that guidance was needed on how the proposed ISA for LCE and the ISA 800-series interact. For example, providing guidance that explains whether a report on summary financial statements could be performed under ISA 810 (Revised) when the financial statements from which the summary financial statements are derived are audited under the proposed ISA for LCE.
71. Respondents who were opposed to the inclusion of a part that addresses the ISA 800-series were of the view that the proposed ISA for LCE should be limited to audits of general-purpose financial statements. They noted that including the ISA 800-series:
- Generally, is not relevant to LCEs.

- Adds length and complexity to the standard, which may undermine its usefulness and intent.
- May lead to confusion on which standard or set of standards may be used for specialized situations.

Respondents also noted that the reason for using the ISA 800-series, such as a special purpose framework was an indicator of complexity in an audit such that the ISA for LCE may not be appropriate.

72. Other respondents noted that requirements for only some of the ISA 800-series standards should be included but others should not, in particular respondents noted that ISA 810 (Revised) should not be included as summary financial statements were not common for LCEs or were considered an indication of complexity. There were also suggestions from respondents that the IAASB should develop a standalone LCE standard for the ISA 800-series.
73. With regard to a timeline for potential inclusion of a Part on the ISA 800-series, respondents expressed mixed views. On one hand, respondents noted that it should be included in the proposed ISA for LCE prior to finalization. Other respondents noted that it should only be considered at a later stage. They recognized that the IAASB should first focus on the development of the proposed ISA for LCE for general purpose financial statements.
74. Generally, respondents noted that further outreach may be needed to explore how applicable each of the ISA 800-series standards would be for LCEs.

#### **The Task Force Views and Recommendations**

75. The Task Force recognizes the support from respondents to consider the development of a Part containing requirements for the ISA 800-series but is of the view that such consideration may be performed after finalization of the proposed ISA for LCE. The Task Force is of the view that further outreach and information gathering are appropriate in order to understand the extent to which LCEs use the ISA 800-series, particularly since the description of a typical LCE in the Authority has been further refined and clarified since the ED-ISA for LCE.
76. In addition, further outreach and information gathering would inform the IAASB as to the nature and extent of requirements that would be appropriate, particularly given the range of jurisdictional and industry specific frameworks that may be addressed. The Task Force considered that this may be an area that could be explored further as part of a Post Implementation Review.
77. The Task Force recognizes that if requirements for the ISA 800-series are not included in the proposed ISA for LCE further consideration will need to be given by the Task Force to if, or how, the proposed ISA for LCE and ISA 800-series may interact, or be used on the same financial information (e.g., for situations such as those described in paragraph 70 above).

### Matters for Board Consideration

7. The Board is asked if they agree with the Task Force's recommendations on the way forward with respect to the ISA 800-series, including not to develop a part containing requirements for the ISA 800-series at this time.

### VIII. Next Steps

78. The Task Force will continue to present to the Board for discussion, the responses to questions included in the EM as set out in **Appendix 2** at the appropriate time to do so based on the significance of the feedback and the timing of related drafting for individual Parts of the proposed ISA for LCE.
79. The Task Force will also continue the drafting of revisions in the remaining areas of the proposed ISA for LCE and plans to bring a full draft of the proposed standard (excluding Part 10, *Group Audits*) to the Board in June 2023.
80. The Task Force will also continue to consult with the LCE Reference Group and perform outreach with other stakeholders as relevant.

## **Task Force Members and Activities**

### **Task Force Members**

1. The Task Force consists of the following members:
  - 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
2. Further information and all posted documents relating to this project can be found [here](#).

### **Task Force Activities Since the December 2022 IAASB Meeting**

3. The Task Force held one in-person meeting and two virtual meetings.

### **Outreach Since the December 2022 IAASB Meeting**

4. The Task Force Chair and IAASB staff attended the following outreach events or meetings in which the proposed ISA for LCE was discussed:
  - LCE Reference Group Meeting – a verbal debrief of the discussion will be provided during the March meeting.
  - Webinar: Audits of Less Complex Entities Update – held jointly with IFAC and European Federation of Accountants and Auditors for SMEs (EFAA)
5. The proposed ISA for LCE was addressed in meetings with the following stakeholders in Q4 2022 (not previously reported) and Q1 2023, as part of the general outreach program:
  - Meeting with Representatives of IFIAR's Standards Coordination Working Group – By Videoconference (Seidenstein, Botha)
  - Participation at meeting of the International Association of Insurance Supervisors (IAIS), Accounting and Auditing Working Group – By Videoconference (Seidenstein, Botha)
  - Meeting with Leadership and Technical Staff of the Institute of Chartered Accountants in England and Wales (ICAEW) – By Videoconference (Seidenstein, Botha)

## Appendix 2

### Reconciliation of ED-ISA for LCE Question Analysis

The below table presents a reconciliation of the questions provided to respondents of ED-ISA for LCE, along with the date of when a detailed analysis of comments was presented, or is expected to be presented to the Board for discussion.

Q#	Text of Question per Explanatory Memorandum (ED-ISA for LCE)	Detailed Analysis to Board
1	Views are sought on:	
1(a)	The standalone nature of the proposed standard, including detailing any areas of concern in applying the proposed standard, or possible obstacles that may impair this approach?	June 2022
1(b)	The title of the proposed standard.	June 2022
1(c)	Any other matters related to ED-ISA for LCE as discussed in this section (Section 4A).	June 2022
2	Do you agree with the proposed conforming amendments to the IAASB Preface? If not, why not, and what further changes may be needed?	September 2023
3	Views are sought on the Authority (or scope) of ED-ISA for LCE (Part A of the proposed standard). In particular:	
3(a)	Is the Authority as presented implementable? If not, why not?	June 2022
3(b)	Are there unintended consequences that could arise that the IAASB has not yet considered?	June 2022
3(c)	Are there specific areas within the Authority that are not clear?	June 2022
3(d)	Will the Authority, as set out, achieve the intended objective of appropriately informing stakeholders about the scoping of the proposed standard?	June 2022
3(e)	Is the proposed role of legislative or regulatory authorities or relevant local bodies with standard setting authority in individual jurisdictions clear and appropriate?	June 2022
4	Do you agree with the proposed limitations relating to the use of ED-ISA for LCE? If not, why and what changes (clarifications, additions or other amendments) need to be made? Please distinguish your response between the:	

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Q#	Text of Question per Explanatory Memorandum (ED-ISA for LCE)	Detailed Analysis to Board
4(a)	Specific prohibitions	June 2022
4(b)	Qualitative characteristics.	June 2022
5	Regarding the Authority Supplemental Guide:	
5(a)	Is the guide helpful in understanding the Authority? If not, why not?	June 2022
5(b)	Are there other matters that should be included in the guide?	June 2022
6	Are there any other matters related to the Authority that the IAASB should consider as it progresses ED-ISA for LCE to finalization?	June 2022
7	Views are sought on the key principles used in developing ED-ISA for LCE as set in this Section 4C. Please structure your response as follows:	
7(a)	The approach to how the ISA requirements have been incorporated in the proposed standard.	June 2022
7(b)	The approach to the objectives of each Part of the proposed standard.	December 2022
7(c)	The principles in relation to professional skepticism and professional judgement, relevant ethical requirements and quality management.	March 2023 & June 2023
7(d)	The approach to EEM including: (i) The content of the EEM, including whether it serves the purpose for which it is intended. (ii) The sufficiency of EEM. (iii) The way the EEM has been presented within the proposed standard.	December 2022
8	Please provide your views on the overall design and structure of ED-ISA for LCE., including where relevant, on the application of the drafting principles	June 2022
9	Please provide your views on the content of each of Parts 1 through 8 of ED-ISA for LCE, including the completeness of each part. In responding to this question, please distinguish your comments by using a subheading for each of the Parts of the proposed standard.	March 2023 & June 2023

Q#	Text of Question per Explanatory Memorandum (ED-ISA for LCE)	Detailed Analysis to Board
10	For Part 9, do you agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements, including:	
10(a)	The presentation, content and completeness of Part 9.	June 2023
10(b)	The approach to include a specified format and content of an unmodified auditor's report as a requirement?	June 2023
10(c)	The approach to providing example auditor's reports in the Reporting Supplemental Guide.	June 2023
11	With regard to the Reporting Supplemental Guide:	
11(a)	Is the support material helpful, and if not, why not?	September 2023
11(b)	Are there any other matters that should be included in relation to reporting?	September 2023
12	Are there any areas within Parts 1–9 of the proposed standard where, in your view, the standard can be improved? If so, provide your reasons and describe any such improvements. It will be helpful if you clearly indicate the specific Part(s) which your comments relate to.	Mapped to other Qs.
13	Please provide your views on transitioning:	
13(a)	Are there any aspects of the proposed standard, further to what has been described above, that may create challenges for transitioning to the ISAs?	June 2023
13(b)	What support materials would assist in addressing these challenges?	September 2023
14	Do you agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance?	September 2023
15	For any subsequent revisions to the standard once effective, should early adoption be allowed? If not, why not?	September 2023
16	Should a separate Part on the ISA-800 series be included within ED-ISA for LCE? Please provide reasons for your response.	March 2023

Q#	Text of Question per Explanatory Memorandum (ED-ISA for LCE)	Detailed Analysis to Board
17	In your view, would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion and for which the proposed standard has been developed? If not, why not. Please structure your comments to this question as follows:	
17(a)	Whether the proposed standard can, and will, be used in your jurisdiction.	June 2022
17(b)	Whether the proposed standard meets the needs of auditors, audited entities, users of audited financial statements and other stakeholders.	June 2022
17(c)	Whether there are aspects of the proposed standard that may create challenges for implementation (if so, how such challenges may be addressed).	June 2023
18	Are there any other matters related to ED-ISA for LCE that the IAASB should consider as it progresses the proposed standard to finalization?	Mapped to other Qs.
19	What support and guidance would be useful when implementing the proposed standard?	September 2023
20	Translations—recognizing that many respondents may intend to translate the final ISA for LCE in their own environments, the IAASB welcomes comment on potential translation issues noted in reviewing ED-ISA for LCE.	Mapped to other Qs.
21	Effective Date—Recognizing ISA for LCE is a new standard, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning at least 18 months after the approval of a final standard. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA for LCE.	September 2023
22	The IAASB is looking for views on whether group audits should be excluded from (or included in) the scope of ED-ISA for LCE. Please provide reasons for your answer.	June 2022
23	Respondents in public practice are asked to share information about the impact of excluding group audits from the scope of ED-ISA for LCE on the use of the proposed standard. In particular:	
23(a)	Would you use the standard if group audits are excluded? If not, why not?	June 2022

Q#	Text of Question per Explanatory Memorandum (ED-ISA for LCE)	Detailed Analysis to Board
23(b)	Approximately what % of the audits within your firm or practice would be group audits that would likely be able to use ED-ISA for LCE (i.e., because it is likely that such group audits could be considered less complex entities for the purpose of the proposed standard) except for the specific exclusion?	June 2022
23(c)	What common examples of group structures and circumstances within your practice would be considered a less complex group.	June 2022
24	<p>If group audits are to be included in the scope of ED-ISA for LCE, the IAASB is looking for views about how should be done (please provide reasons for your preferred option):</p> <p>(a) The IAASB establishes a proxy(ies) for complexity for when the proposed standard may be used (“Option 1 - see paragraph 169); or</p> <p>(b) ED-ISA for LCE sets out qualitative characteristics for complexity specific to groups (Option 2 - see paragraph 176), to help users of the proposed standard to determine themselves whether a group would meet the complexity threshold.</p>	June 2022
25	Are there other ways that group audits could be incorporated into the scope of the proposed standard that is not reflected in the alternatives described above? For example, are there proxies for complexity other than what is presented in paragraph 169 that the IAASB should consider?	June 2022
26	<p>If group audits are included in ED-ISA for LCE, how should the relevant requirements be presented within the proposed standard (please provide reasons for your preferred option):</p> <p>(a) Presenting all requirements pertaining to group audits in a separate Part; or</p> <p>(b) Presenting the requirements pertaining to group audits within each relevant Part.</p>	June 2022