Audits of Less Complex Entities: ISA for LCE

Presented by
Kai Morten Hagen, LCE Task Force Chair
Jasper van den Hout, IAASB Director
Amy Fairchild, IAASB Principal

IAASB Meeting
June 22–23, 2023
Agenda Item 4
Updated Timeline

- Full Standard (Excluding Part 10)
- Group Audits and Part 10
- Analysis of Feedback on Exposure Draft
- Supplemental Guides
Task Force & Staff Activities

- Task Force Meetings
- IESBA Coordination
- LCE Reference Group
- NSS Meeting
- SMPAG
Preface and Authority

The Authority was discussed in the June, September and December 2022 meetings. The Preface has not been discussed with the Board yet.

Proposed revisions to the Preface
• ISA 800 Series
• ISAs as source of guidance

Proposed revisions to the Authority
• Alignment with IESBA Code
• Reports on Service Organization controls
The Board is asked for their views on proposed revisions to the following Parts as presented in Agenda Item 4-B:

(a) The Preface
(b) Part A, Authority
Feedback: General support but respondents asked for clarity regarding which ethical requirements are being referred to. Other smaller suggestions.

Proposed revisions
• EEM on ethical requirements including the IESBA Code
• Smaller revisions to align with the ISAs, remove repetition and enhance the structure
2. The Board is asked for their views on proposed revisions to the following Parts as presented in Agenda Item 4-B

(a) Part 1
Consideration of Board comments received during March 2023 meeting

Proposed revisions

- Parts 2-6: Enhanced EEM for flow, readability and (where relevant) alignment with ISAs
- Part 4: Reversed previously proposed change to engagement letter: use of ISA for LCE should be included
- Part 5: EEM on Materiality
- Part 6: Requirements and EEM related to process to prepare financial statements and service organizations
2. The Board is asked for their views on proposed revisions to the following Parts as presented in Agenda Item 4-B

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(b) Parts 2, 3 and 4 
(c) Parts 5 and 6
Part 7, Responding to Assessed Risks of Material Misstatement

Feedback: General support with request to add requirements and EEM in several areas (especially audit sampling)

Proposed revisions

• Added EEM throughout Part 7 for the standard to be able to be applied as a standalone standard
  o Audit Sampling: designing a sample, determining sample sizes, selecting items for testing and evaluating the results

• Re-ordered some requirements and EEM to enhance flow and better align with the ISAs
Part 7

3. The Board is asked for their views on proposed revisions to Part 7 as presented in Agenda Item 4-B.
Part 8, Concluding

Feedback: General support but with requests for additional requirements related to subsequent events

Proposed revisions
- Added requirements related to subsequent events
- Deleted repetitive requirements
- Other clarifying revisions
4. The Board is asked for their views on proposed revisions to Part 8 as presented in Agenda Item 4-B
General support for approach taken and content. Suggestions to delete reference to the ISA for LCE in the auditor’s report and other enhancements

Proposed revisions

• Clarifications relating to specified format and content of Auditor’s Report
• Added requirements on modifications to auditor’s opinion and to address proposed revisions to other parts.
5. The Board is asked for their views on proposed revisions to Part 9 as presented in Agenda Item 4-B
Other Matters

Appendices

Conforming Amendments
6. The Board is asked for their views on proposed revisions to the Conforming Amendments as presented in Agenda Item 4-D
Transitioning to the ISAs and Implementation Challenges

Feedback: Guidance requested on transitioning to the ISAs and concerns raised regarding stakeholder perception and acceptance

- Nature of standalone standard and authority
- Guidance on
  - Reporting
  - Procedures to transition
  - Differences between ISAs and ISA for LCE
  - Engagement Letters
- Implementation challenges
7. The Board is asked if they agree with the Task Force’s recommendations to address challenges on transitioning including the proposed support material in paragraph 57 of Agenda Item 4.
ISA for LCE: Way Forward

- **July 2023**
  - Discussions with Board on Part 10

- **September 2023**
  - Expected Vote to Approve Standard

- **December 2023**
  - Expected approval of due process followed by the PIOB

Adoption and Implementation