

**Meeting:** IAASB

**Meeting Location:** New York, United States of America

**Meeting Date:** September 18–21, 2023

## Agenda Item 6

### Due Process – Proposed ISA for LCE<sup>1</sup>

#### Objective of Agenda Item

1. To advise the IAASB of the status of due process for proposed ISA for LCE.

#### Background

2. The IAASB Technical Director is responsible for advising the IAASB as to whether due process has been followed effectively and with proper regard for the public interest before a proposed Standard, or changes to a Standard, are approved for issue.
3. The following outlines the Technical Director's conclusion and basis thereof with respect to actions up to the September 2023 IAASB meeting for proposed ISA for LCE. Before approval of proposed ISA for LCE, the Technical Director will advise on whether due process has been followed during the course of the September 2023 meeting.

#### Due Process Up to the Date of the September 2023 IAASB Meeting

4. The Technical Director confirms to the IAASB that, up to the September 2023 IAASB meeting, proposed ISA for LCE has been developed in accordance with the IAASB's due process.
5. In summary, for proposed ISA for LCE, the IAASB:

#### *Project Commencement and Development*

- Issued a Discussion Paper (the DP)<sup>2</sup> to highlight challenges that have been identified on audits of Less Complex Entities (LCEs) using the International Standards on Auditing (ISAs) and a number of possible actions that could be undertaken to address the identified challenges.
- Considered analyses of the significant comments and issues raised by respondents on the DP.
- Approved the project proposal<sup>3</sup> for commencement of work to develop a separate standard for audits of LCEs and consulted with the IAASB Consultative Advisory Group (CAG) on the project proposal.
- Consulted with the IAASB CAG on significant issues during the development of the proposed ISA for LCE.

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<sup>1</sup> Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA for LCE)

<sup>2</sup> [Discussion Paper, Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs](#)

<sup>3</sup> [Project Proposal, Developing a Separate Standard for Audits of Less Complex Entities](#)

Significant comments received through the consultation with the IAASB CAG have been brought to the IAASB's attention, and the ISA for LCE Task Force (the Task Force) has reported back to the IAASB CAG the results of the IAASB's deliberations.

- Established a "Reference Group" comprised of representatives from the LCE community to assist in developing a standard that can be used globally and meet the expectations of stakeholders. The Task Force regularly consulted with the Reference Group on significant issues during the development of the proposed ISA for LCE.
- Considered whether it is necessary to hold a public forum or roundtables, or to issue a consultation paper or conduct field testing, in order to solicit views on a matter under consideration.

As noted above, the IAASB issued a DP prior to the development of the project proposal. During the exposure period of the DP, the Task Force held the second Paris conference<sup>4</sup> focusing on matters set out in the DP. No additional public forum or similar consultation, or further field testing were deemed necessary for proposed ISA for LCE.

#### *Exposure Draft*

- Approved and issued two exposure drafts<sup>5</sup> for the proposed ISA for LCE for public comment, including an explanatory memorandum for each exposure draft highlighting, among other matters, the significant proposals of the IAASB.
- During the exposure period of ED-ISA for LCE, the Task Force and project staff undertook extensive outreach, including webinars, presentations and virtual roundtables.<sup>6</sup>
- Considered analyses of the significant comments and issues raised by respondents on the Exposure Drafts, including an outline of their proposed disposition and, as appropriate, the reasons significant changes recommended by respondents have, or have not, been accepted.
- Having familiarized themselves with the issues raised in comment letters, the IAASB members:
  - Deliberated significant matters raised in the comment letters received, including consideration of whether there were any issues raised by respondents, in addition to those summarized by the Task Force, that they considered should be discussed; and
  - Amended the proposed ISA for LCE accordingly.

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<sup>4</sup> The first Paris conference was held in January 2017, focusing on understanding the needs of small-and medium-sized practices when applying audit and non-audit IAASB standards to small and medium enterprises. The second Paris conference was held in May 2019, during the exposure period of the DP. The Paris conferences were held jointly with the Compagnie Nationale des Commissaires aux Comptes (CNCC) and the Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC).

<sup>5</sup> There have been two Exposure Drafts for the proposed ISA for LCE:

- [Exposure Draft, Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities \(ISA for LCE\)](#) (ED-ISA for LCE)
- [Exposure Draft, Proposed Part 10, Audits of Group Financial Statements of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities \(ISA for LCE\)](#) (ED-ISA for LCE-Group Audits)

<sup>6</sup> Refer to [Agenda Item 6](#) of the June 2022 IAASB meeting for a full list of outreach activities during the consultation period.

- After the comment period for the ED-ISA for LCE closed, the Task Force held a third Paris Conference (May 2022) to discuss significant issues raised in the comment letters on the proposed ISA for LCE and obtain direction on the way forward.
- Regular meetings were held to obtain input from the Reference Group on significant issues raised in the comment letters on the proposed ISA for LCE and the IAASB's related responses.
- Consulted with the IAASB CAG on significant issues raised in the comment letters on the proposed ISA for LCE and the IAASB's related responses.

Significant comments received to date through the consultation with the IAASB CAG have been brought to the IAASB's attention. At the IAASB CAG's September 2023 meeting, the Task Force reported back to the IAASB CAG the results of the IAASB's deliberations since the March 2023 IAASB CAG meeting. The Task Force has also reported back to the IAASB CAG the results of the IAASB's earlier deliberations.