Audits of Less Complex Entities: ISA for LCE

Presented by
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IAASB Meeting
September 18, 2023
Agenda Item 2
ISA for LCE: The Journey

Information Gathering
Started 2017

Project Proposal
Approved December 2020

Exposure Draft – ISA for LCE
Published July 2021, comment period closed January 2022

Exposure Draft on Group Audits (Part 10)
Published January 2023, Comment period closed May 2023
Discussed 18 times with the Board

Analyzed 205 comments letter for ED-ISA for LCE and ED-Part 10

Held 30 Task Force meetings
Task Force and Staff Activities Since June Board Meeting

- Task Force Meetings
- Coordination with IESBA and IAASB Consultation Groups
- CAG Meeting
- Outreach
September 2023 CAG Discussion

Broad support for the ISA for LCE Standard

ISA for LCE

• Mixed views on the prohibition for the use of component auditors

Other Matters

• Emphasized the importance of outreach to support the adoption of the standard
• Suggested to review the IFRS for SME’s adoption and implementation and liaise with the IASB to learn from their successes
• Emphasized the need for a post-implementation review
• Questioned the need for an initial effective date
Overall Changes to the Standard

- CUSP guidelines review
- Cold read / consistency review
1. The Board is asked for their views on the proposed revisions to
   a) The Preface and Authority
1. The Board is asked for their views on the proposed revisions to
   a) ISA for LCE
   b) Parts 1 and 2
Matters for Board Consideration

1. The Board is asked for their views on the proposed revisions to
   a) 
   b) 
   c) Parts 3 to 5
1. The Board is asked for their views on the proposed revisions to
   a) 
   b) 
   c) 
   d) Parts 6 and 7
Matters for Board Consideration

ISA for LCE

1. The Board is asked for their views on the proposed revisions to
   a) 
   b) 
   c) 
   d) 
   e) Parts 8 and 9
Matters for Board Consideration

1. The Board is asked for their views on the proposed revisions to
   a) 
   b) 
   c) 
   d) 
   e) 
   f) Part 10 and appendices
Conforming Amendments

Identified conforming amendments not previously presented to the Board

ISQM 1 and ISQM 2
- Added a paragraph indicating that the ISA for LCE also includes requirements regarding quality management

ISRE 2400
- Removed the reference to the ISAs in the practitioner’s report and instead added a general reference to the auditing standards issued by the IAASB
2. The Board is asked for their views on proposed revisions to the Conforming Amendments as presented in Agenda Item 2-D
Effective Date and Maintenance

**Effective Date**
- Proposed implementation date: December 15, 2025

**Maintenance**
- Initial period of stability
- After initial period of stability, first revisions include
  - Considerations for ISA currently under revision
  - Post implementation review
- Formation of LCE Working Group
- Revisions to ISA for LCE to be developed and implemented concurrently with relevant project to revise ISAs
Early Adoption, Adoption and Implementation

Early adoption of future revisions

- Case-by-case analysis

Adoption

- Outreach activities promoting the standard
- Liaison with IFAC, NSSs and PAOs
- Development of targeted materials

Implementation

- Factsheet
- Supplemental Guides on Authority and Reporting
- First time implementation guide
- Other materials TBD
3. The Board is asked for their views on the proposed way forward on

a) The effective date
b) Future updates and maintenance
c) Early adoption of future revisions
d) The implementation support and guidance
4. The Board is asked whether there are any issues raised by respondents, in addition to those discussed in previous IAASB meetings, that it considers should have been discussed by the IAASB.
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