Where Are We?

What We Discussed in March:
• The full Draft ISA for LCE (including applicability)
• Broadly - Mapping Documents & Supplemental Information

What We Will Discuss this Week:
• Authority (scope)
• Extract from Explanatory Memorandum: Group Audits
Authority
Refining the Authority

- Role of IAASB
- Role of Jurisdiction
- Role of Firm or Practitioner
- Role of Auditor
Authority of the Standard

**EXCLUSIONS DESIGNED FOR GLOBAL USE:**
- X Restricted by Laws or Regulation
- X Group Audits
- X Listed Entities
- X Specific “PIE Categories”*

**EXCLUSIONS AND REFINEMENT APPROPRIATE FOR LOCAL USE:**
- Further restrict use of the standard
- Refinement of restrictions based on local jurisdiction
- Additional factors or quantitative thresholds

**CONSIDERATIONS AT FIRM LEVEL:**
- Internal policies or procedures for use of the standard
- Further restrictions (cannot change jurisdictional restrictions)

**EVALUATION AT ENGAGEMENT LEVEL:**
- Client Acceptance or Continuance
- Stand back

*May be refined in local jurisdiction
Discussion

Board Members are asked:

1. For their views on the revised Authority of the [draft] ISA for LCE (Agenda Item 4-A)

2. For comments on the Supplemental Guidance for the Authority of the [draft] ISA for LCE (Agenda Item 4-B)

3. Whether there are any other matters relevant to the authority or scope, in order to progress to the June 2021 IAASB meeting?
Group Audits
Options for Respondents

Overarching “principles” for complexity described in Authority met and not restricted from using ISA for LCE

**Option 1**
No Group Audits to be performed using ISA for LCE

**Option 2**
Is the audit of the group less complex? (consideration of complexity factors at para 4.)

- Yes
- No

Is the use of Component Auditors appropriate?*

- No
- Yes

- May use ISA for LCE
- Cannot use ISA for LCE

**Option 3**
Is the audit of the group less complex? (consideration of complexity factors at para 4.)

- Yes
- No

- May use ISA for LCE
- Cannot use ISA for LCE

*Requirement relating to component auditors would not be included in standard
## Options for Respondents: Overview

<table>
<thead>
<tr>
<th>1: Group Audits remain Fully Excluded</th>
<th>2: Group Audits Included, Component Auditor Requirements Excluded</th>
<th>3: Group Audits Included, Component Auditor Requirements Included</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓ Status quo: no additional complexity or length</td>
<td>✓ Easier to apply - fewer group audit requirements</td>
<td>✓ Wider audience - ISA for LCE could be used for more group audits</td>
</tr>
<tr>
<td>✓ ‘Less complex’ groups cannot use the standard</td>
<td>✓ Judgement about complexity of the group already made using component auditors as a “proxy” for complexity</td>
<td>✓ More requirements to be included – increase length of standard</td>
</tr>
<tr>
<td>✓ May limit the use of the standard</td>
<td>✓ May inappropriately influence decision not to use component auditors</td>
<td>✓ More judgment about the complexity of the group (may make intended scope less clear)</td>
</tr>
</tbody>
</table>

- Fully Excluded
- Excluded
- Included
Discussion

Board Members are asked:

4. For comments on the proposed extract from the draft Explanatory Memorandum, in particular:
   
a) Views on the options set out in Agenda Item 4-C
   
b) Whether sufficient information has been provided to help respondents answer the questions
Where Next?
Where Next?

What We Will Discuss in June:

- Revised [draft] Standard – approval for consultation
- Supporting mapping documents
- Supplemental documents for draft standard
- Topics for Explanatory Memorandum
- Outreach plan