Audits of Less Complex Entities: Separate Standard

Presented by:
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Task Force Chair

IAASB Virtual Meeting
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By Videoconference
Where Are We?

What We Discussed in December
• Approved the project proposal (sets out the principles on which the ISA for LCE is premised)
• Board broadly supportive of overall direction of draft standard – some specific broad concerns
  – Changes have been made to address the concerns raised
  – Mapping documents

What We Will Discuss this Week
• Each Part of the ISA for LCE

Where To Next
• Approve exposure draft in June 2021
Areas to Highlight

Name of standard
Drafting principles
Definitions
Essential explanatory material

Introduction boxes
Supplements (planned)
Mapping
Still to be Done

- Focus on last Parts (8 and 9)
- Information technology
- Automated tools and techniques
- Public sector considerations
- Transitioning back to the ISAs
- Supplements
- Outreach plan
Board agreed in December 2020 to not include in the draft ISA for LCE

Strong concerns – this may inadvertently scope out many entities that would otherwise be able to use the standard (ie all other criteria for use met)

Continue to exclude – but will have a separate focus in explanatory memorandum

Set out options for how much to include

Set out options for how to present within standard if include

Focus of May 2020 Board call
CAG Meeting

• Pleased with progress and supportive of direction
• EXCEPT – strong concerns about excluding audits of group financial statements

• Applicability
  – Consider work of IESBA on PIE project
  – Continue to exclude listed entities
  – Need to consider impact on public sector entities (e.g., governance structures)

• Continue to align with ISAs
  – Need to consider how will transition

• Reporting
  – Consider transparency around judgment to use the standard in eth auditor’s report
  – Need to consider how to further distinguish auditor’s report from an ISA auditor’s report
Outreach and LCE Reference Group

Outreach in Quarter 1
- LCE Reference Group
- SMP Advisory Group
- CAG
- ICAEW Representatives
- IASB
- IDW Representatives
- Coordination with other IAASB Task Forces (ISA 600 and CUSP)

Outreach Coming Up
- Forum of Firms
- IFIAR SCWG
- Need to further consider outreach when standard is out for exposure
The Task Force Chair will walk through each part of the draft ISA for LCE for Board members to provide comments.
Applicability

- Laws or regulations
- Listed entities
- Group audit

Specifically excluded

- Business activities and governance structure
- Information system
- Basic accounting estimates

Judgment

- Document judgments
- Stand-back

ISA for LCE appropriate to use