Audits of Less Complex Entities

Presented by:
Roger Simnett, IAASB Member

IAASB Meeting
Toronto, Canada
March 15, 2019
Audits of Less Complex Entities (LCEs)
Responded to Board comments in the following areas:

- Chairman’s Foreword
- Section III – Possible Actions to be Explored
- Questions For Respondents Within Sections II and III

With respect to the remaining sections of the DP:

- The LCE Working Group heard valuable comments from the Board and addressed / will address such comments.
Chairman’s Foreword

- ‘Next phase’ of research and evidence gathering – Emphasized early on DP that the IAASB is in the ‘next phase’ of its research and evidence gathering activities to formulate an evidence-based response to issues and challenges in audits of LCEs

- ‘Right messaging’ on time taken by IAASB – Highlighted that the IAASB exercises prudence / takes caution in finding a global solution fit-for-purpose considering the magnitude of its impact and global reach of the possible consequences

- ‘Right messaging’ on open-mindedness to explore possible actions – Explained clearly that the IAASB is very open-minded to explore possible actions to address the issues and challenges in audits of LCEs
Section III – Possible Actions to be Explored

• Emphasized options are not mutually exclusive
• Removed all categories (Standard-Based Action, Outside of the Standards, and Other)
• Reduced number of options from five to three
  • Scoped-out option to enhance accessibility of the ISAs through technology
  • Option to continue with efforts in relation to scalability and proportionality was incorporated within option to revise the ISAs

For Board consideration:
• Possible features of a separate auditing standard developed based on a different framework
Questions For Respondents Within Sections II and III

Framed the questions in order to gather evidence-based inputs from stakeholders with respect to:

- Appropriateness of the definition of LCEs;
- Completeness of issues and challenges identified;
- Completeness of possible actions to be explored;
- Linkages between possible actions and issues and challenges in order to identify actions responsive to issues and challenges in audits of LCEs; and
- A global solution fit-for-purpose, which may be a combination of possible actions;

in order for the IAASB to make an informed decision on the best way forward.

**For Board consideration:**

- Alternatives for questions 3 and 5.
Way Forward

• Discussion Paper expected to be published April 2019 for 120-day comment period

• Intention to translate into French and Spanish

• Discussion Paper to be used as focus of roundtables

• Feedback Statement to be developed summarizing the comments from the consultation and the outreach

• Recommendations for Board discussion to be developed