

Audits of Less Complex Entities

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IAASB Meeting
Toronto, Canada
March 15, 2019

Audits of Less Complex Entities (LCEs)



Audits of LCEs Discussion Paper (DP) – Overall Approach in Responding

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



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