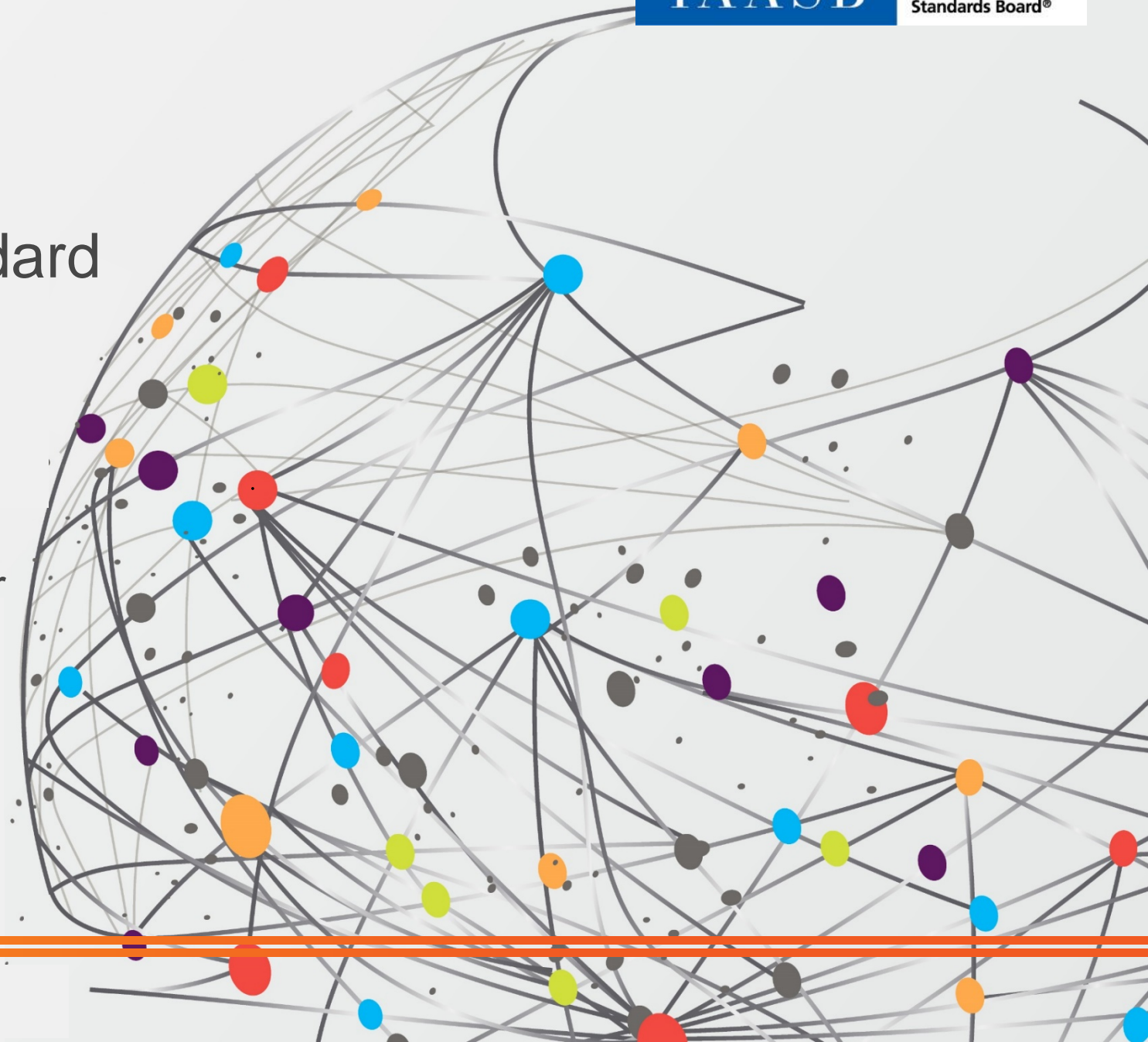


# Audits of Less Complex Entities: Separate Standard

Presented by:  
Kai Morten Hagen, Task Force Chair

IAASB Board Meeting  
June 14-23, 2021



# Where Are We?

## **What We Discussed in May:**

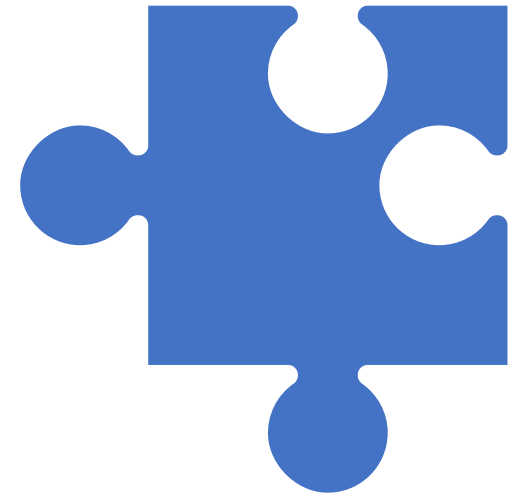
- Authority of the Standard
- Explanatory Memorandum: Groups

## **What We Will Focus On At this Meeting**

- Revised [draft] Standard
- Supplement for Authority for the Standard
- Conforming Amendments to the IAASB Standards Preface
- Topics for Explanatory Memorandum
- Outreach plan

# Outreach Performed

- National Standard Setters (NSS)
- IFAC SMP Advisory Group
- LCE Reference Group
- PIOB
  - Public interest issues
- Letters
  - IFAC
  - ICAEW



# Project Proposal



Develop a risk-based, standalone standard that will provide reasonable assurance



Requirements—based on the concepts in the ISAs, principles based and focused on outputs



Incorporates core requirements from the ISAs, adapted as appropriate for an audit of an LCE

# Proportionality and Drafting of the Standard

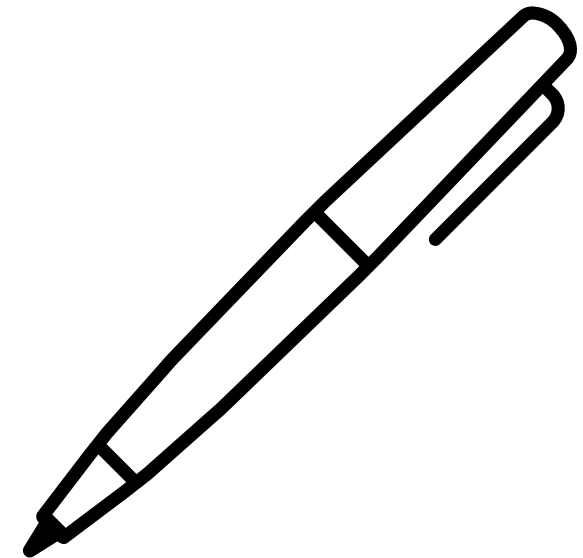
- ISA Requirements:
  - Core ISA requirements included
    - In Full; or
    - Modified for the nature of the ISA for LCE but outcome expected to be the same
  - Excluded
    - Where specifically restricted (e.g., listed entities, groups)
    - Where address complex matters or circumstances
    - Other – e.g., rare or exceptional circumstances
- In line with Project Proposal
- CUSP Drafting Principles applied where applicable

# Transitioning to ISAs

- To be addressed in Explanatory Memorandum
- Non-Authoritative guidance:
  - Terms of engagement
  - Adjustments required to planning activities (acceptance & continuance, communications)
  - Reconsider risk assessment
  - Involvement of others in the audit beyond those contemplated in the LCE standard (experts, service organizations, internal audit)
  - Complexity in auditing estimates or other complex matters
  - Reporting considerations, including comparatives / corresponding figures
- Included as topic and questions regarding transition in EM

# Title of the Standard

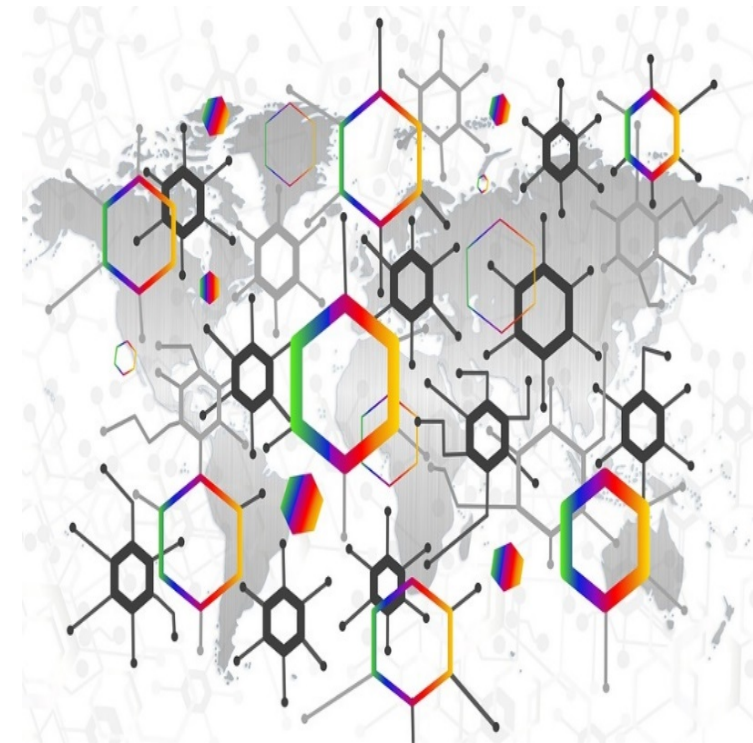
- Aims:
  - To appropriately distinguish
  - To not confuse users
- Specific question to be added in EM



# IAASB Input

**Board Members are asked for:**

❖ **General / Opening Comments**



# Preface

- Definitions
- Symbols removed
- Maintenance of the standard
- Table of Contents

# IAASB Input

**Board Members are asked for views on:**

## ❖ The Preface

(Agenda Item 2-A)



# Authority: Limitations for Use

**Basis for Limitations (i.e., overarching considerations) (Para A.5)**

## **Specific Restrictions**

**(Para A.7(a)-(d))**

- Prohibited by Law or Regulation
- Audits of Listed Entities
- Entities with Public Interest Characteristics
- Audits of Group Financial Statements



## **Qualitative Characteristics**

**(Para's A.9-10)**

- Business activities, model & industry
- Organizational Structure
- Ownership & Oversight Structures
- Regulation & Regulatory Oversight
- Transactions & Processes
- IT Environment & Systems
- Accounting Estimates

# Entities with Public Interest Characteristics

Similarities to IESBA's PIE Project	Differences to IESBA's PIE Project
<p>ISA for LCE restricts use of the standard to entities in 4 categories also included within the recent IESBA ED</p> <p>Similar categories – entities deemed to exhibit complexity</p>	<p>Overall objective is different:</p> <ul style="list-style-type: none"><li>• PIE: overarching objective for additional independence requirements for entities that are categorized as PIEs.</li><li>• ISA for LCE: Objective to restrict the use of the standard to those categories that exhibit complexity</li><li>• Supplemental guidance to explain modifications to categories</li></ul>

# IAASB Input

**Board Members are asked for views on:**

- ❖ **The Authority of the Standard  
(Part A)**

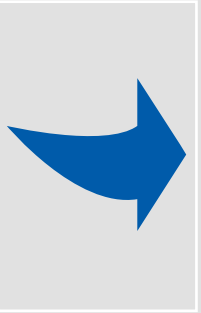
(Agenda Item 2-A)

- ❖ **Supplementary Guidance on the  
Authority of the Standard**

(Agenda Item 2-C)



# Restructuring Parts 1,2,3



## FLOW OF AUDIT



### Part 1:

Fundamental  
Concepts and  
General Principles



### Part 2:

Audit Evidence and  
Documentation



### Part 3:

Engagement Quality  
Management

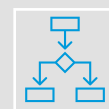


### Part 4:

Acceptance or  
Continuance of an  
Audit Engagement  
and Initial Audit  
Engagements



### Part 5: Planning



### Part 6:

Risk Identification  
and Assessment



### Part 7:

Responding to  
Assessed Risks  
of Material  
Misstatement



### Part 8:

Concluding



### Part 9:

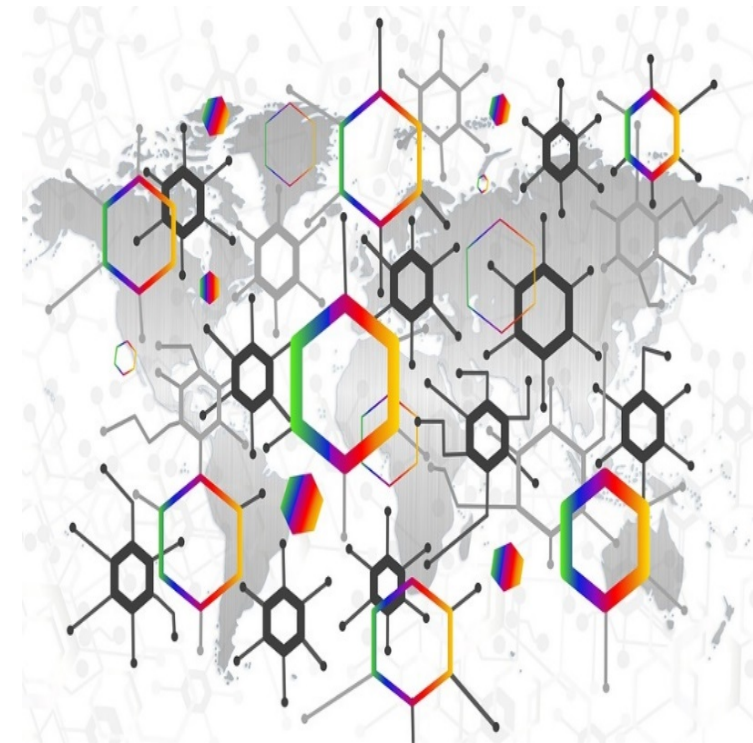
Forming an  
Opinion and  
Reporting

# IAASB Input

**Board Members are asked for views on:**

❖ **Part 1**

(Agenda Item 2-A)



# Other Key Changes in Part 2 since March

- This Part now focuses on Audit Evidence and Documentation

# IAASB Input

**Board Members are asked for views on:**

❖ **Part 2**

(Agenda Item 2-A)



# IAASB Input

**Board Members are asked for views on:**

## ❖ Part 3

(Agenda Item 2-A)



# IAASB Input

**Board Members are asked for views on:**

❖ **Part 4**

(Agenda Item 2-A)

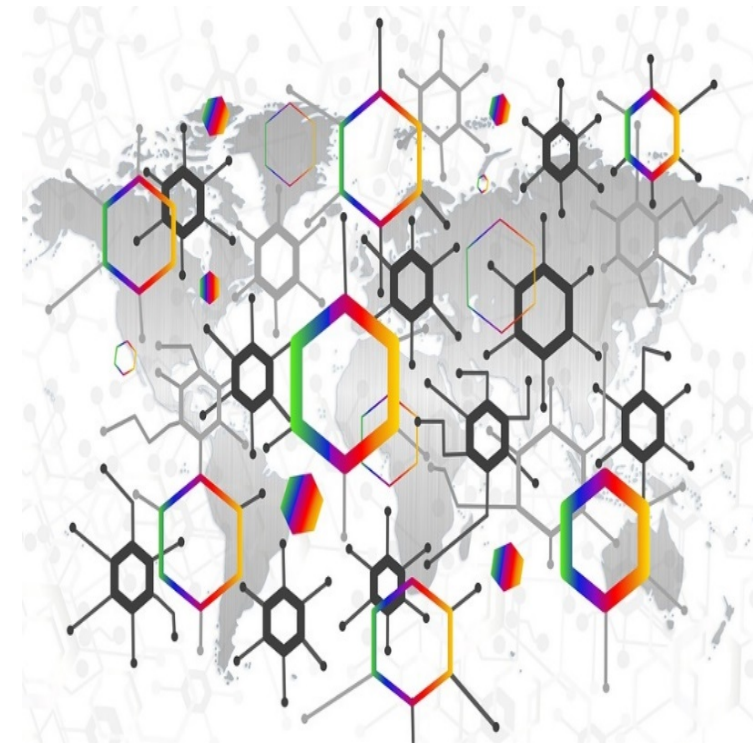


# IAASB Input

**Board Members are asked for views on:**

## ❖ Part 5

(Agenda Item 2-A)

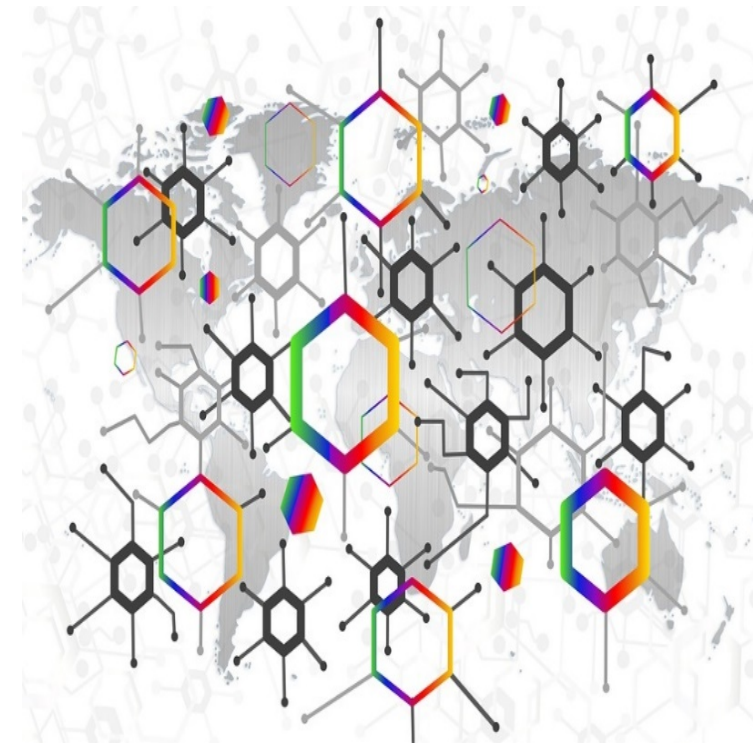


# IAASB Input

**Board Members are asked for views on:**

## ❖ Part 6

(Agenda Item 2-A)

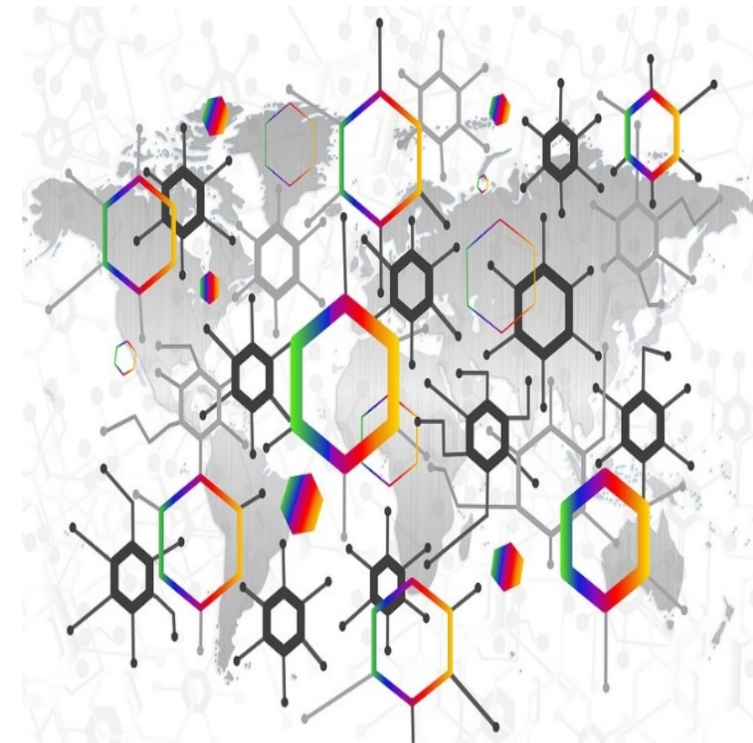


# IAASB Input

**Board Members are asked for views on:**

❖ **Part 7**

(Agenda Item 2-A)



# IAASB Input

**Board Members are asked for views on:**

## ❖ Part 8

(Agenda Item 2-A)

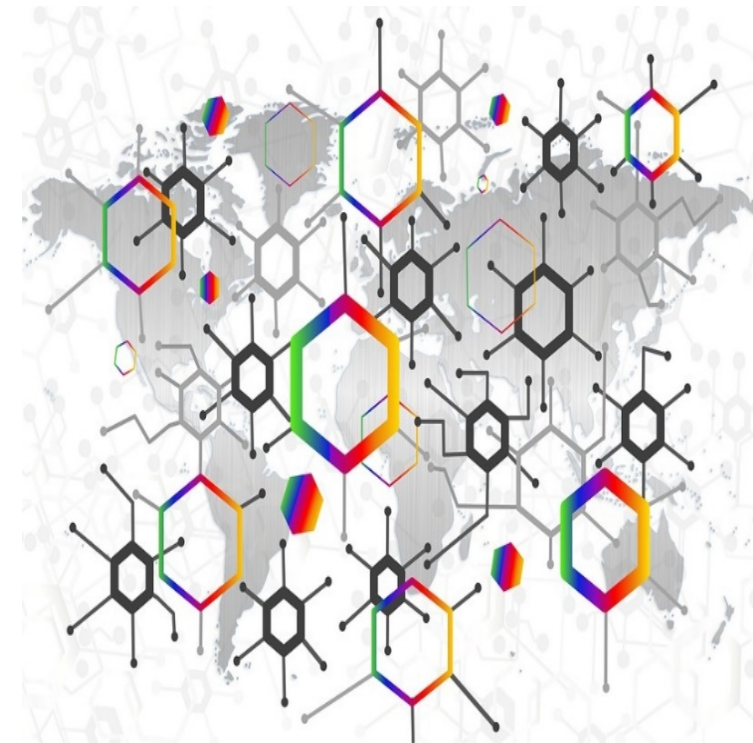


# IAASB Input

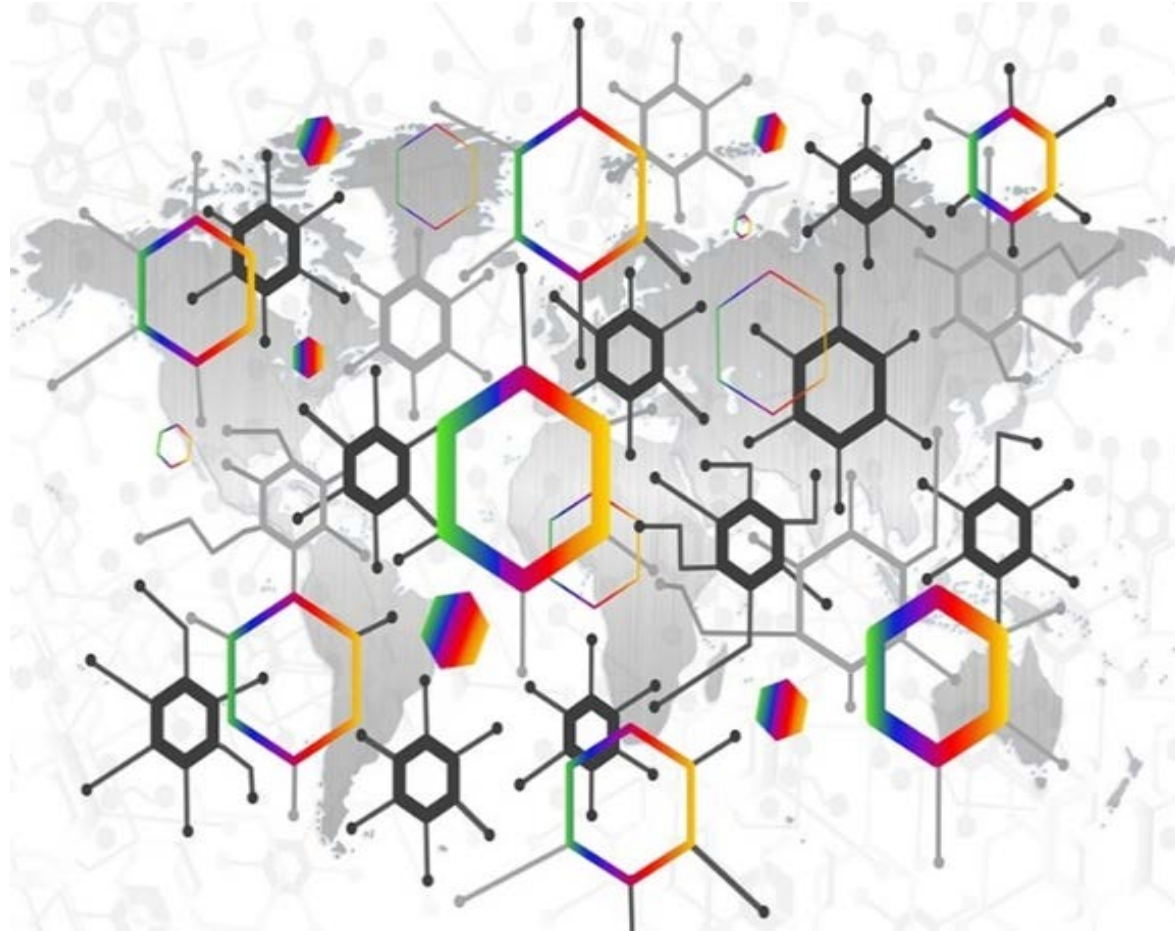
**Board Members are asked for views on:**

## ❖ Part 9

(Agenda Item 2-A)



Tuesday June 15<sup>th</sup>, 2021



# IAASB Input

**Board Members are asked for views on:**

❖ **Appendices**

(Agenda Item 2-A)



# IAASB Input

**Board Members are asked for any additional views on:**

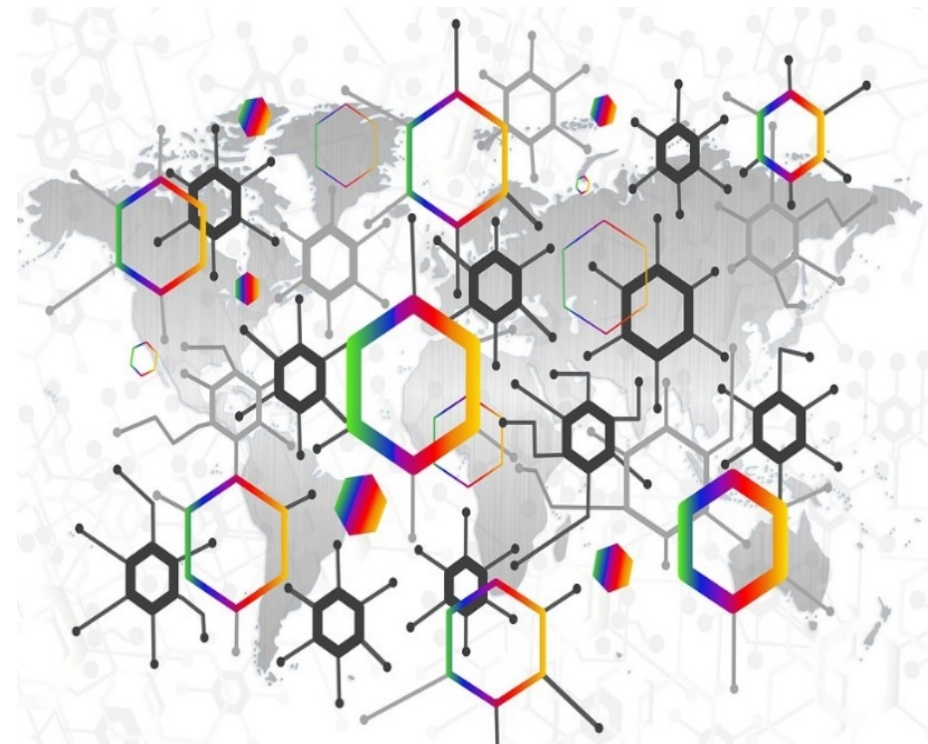
❖ **Mapping Documents**

(Agenda Items 2-B (1) & 2-B (2))



# ISA 800 Series

- Questions have arisen how the 800-series will be addressed



# IAASB Standards Preface

- Conforming amendments to Preface – to be approved next week



# Where Next?



Friday 18<sup>th</sup> June: Updated Standard Posted



Sunday 20<sup>th</sup> June: Consultations (as needed)



Tuesday 22<sup>nd</sup> June: Post Final Standard - morning



Wednesday 23<sup>rd</sup> June: Vote for approval of ED



Tuesday 6<sup>th</sup> July: Draft EM Provided for Fatal Flaw Review



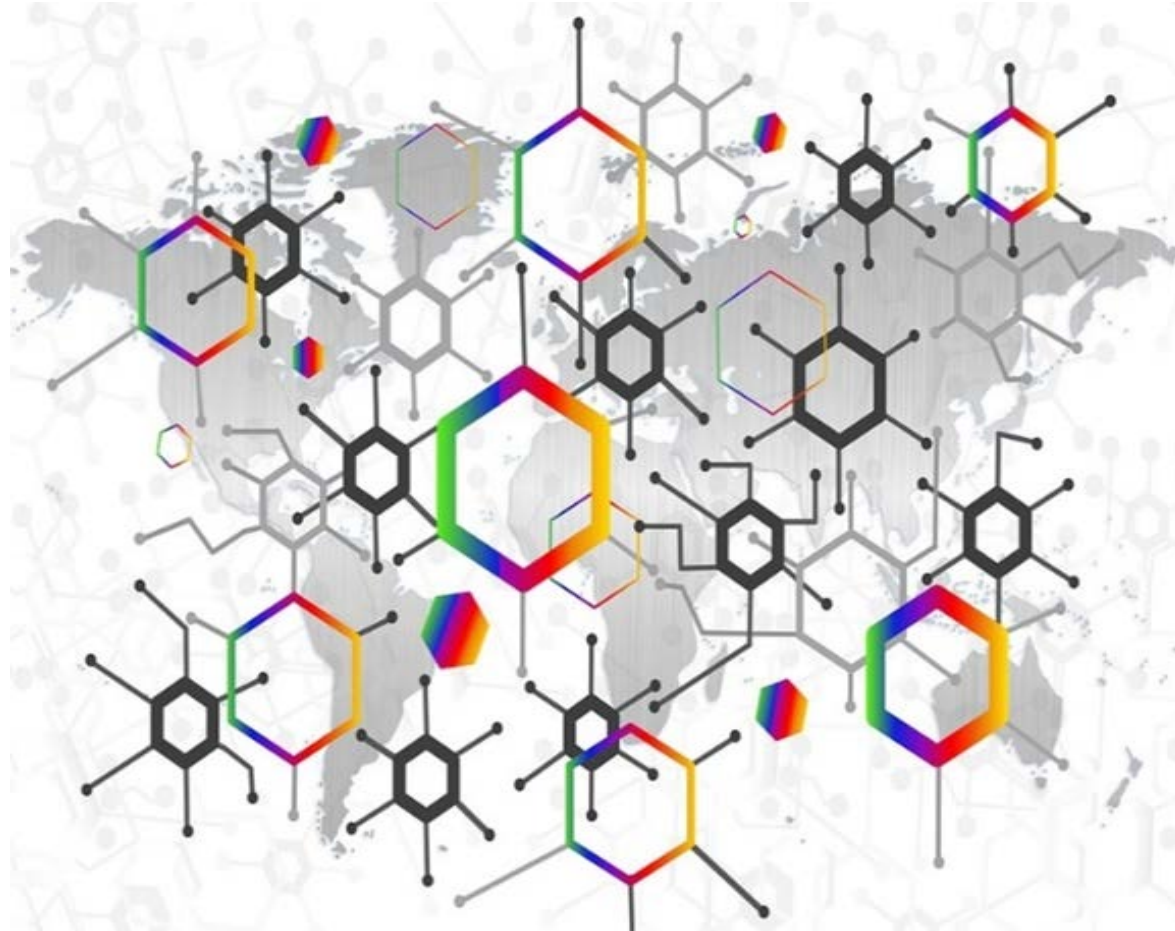
By Friday 23<sup>rd</sup> July: EM and ED published

# Other Matters

- Outreach
- Auditor reporting supplement
- Consultation period



Wednesday June 16<sup>th</sup>, 2021



# Authority

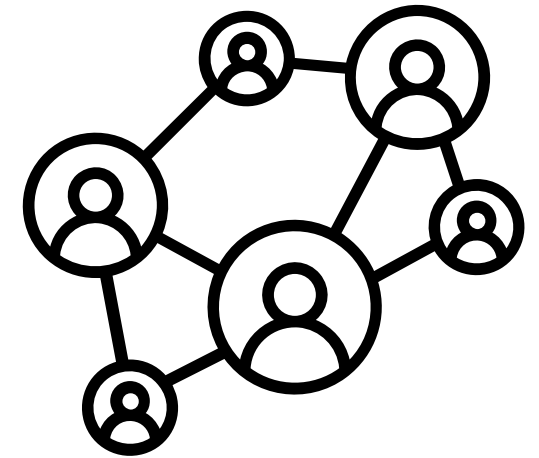


# Topics for Explanatory Memorandum

- Background to the Project & Public Interest Issues
- Approach to, & principles used during, development
- Questions:
  - Input on if the standard can and will be used
  - Development Principles, Content, Structure & Flow, Approach to EEM, Title
  - View on Reasonable Assurance
  - Authority
  - Groups
  - Proposed Maintenance Period
  - Implementation and Transition Guidance, Challenges
  - Other Items inc. Reporting, Supplements, Confirming Amendments

# Outreach

- Translation of ED and EM
- Outreach to encourage responses from different stakeholders:
  - Regional Events
  - Social Media, Videos
  - Press Releases, Articles and Communiques
  - Webinars
  - Surveys
- Objective to reach wide range of stakeholders



# IAASB Input

**Board Members are asked for initial views on:**

- ❖ Topics for Explanatory Memorandum
- ❖ Outreach



# Where Next?

Friday June 18	Revised Draft Standard; Conforming Amendments to Preface; Definitions → Final comments back to TF Chair & Staff by 4pm Sunday
Sat June 19 – Sun June 20	Supplements (Authority & Reporting) → not voted on but any comments to TF Chair & Staff by Tuesday 6 July
Sunday June 20	Consultations; all final comments submitted by 4pm
Tuesday June 22	Final Standard & Conforming Amendments to Preface (for voting)
Wednesday June 23	Vote to approve Exposure Draft Provide any additional topics for inclusion on EM
Tuesday July 6	Receive Draft EM
Wednesday July 14	Deadline for comments on EM



**International Auditing  
and Assurance  
Standards Board®**



[@IAASB\\_News](https://twitter.com/IAASB_News)



[@International Auditing and Assurance Standards Board](https://www.linkedin.com/company/@International Auditing and Assurance Standards Board)



[@International Auditing & Assurance Standards Board](https://www.youtube.com/channel/@International Auditing & Assurance Standards Board)

[www.iaasb.org](http://www.iaasb.org)

IAPN™

ISA.

ISAE.

ISQC™

ISRE™

ISRS.