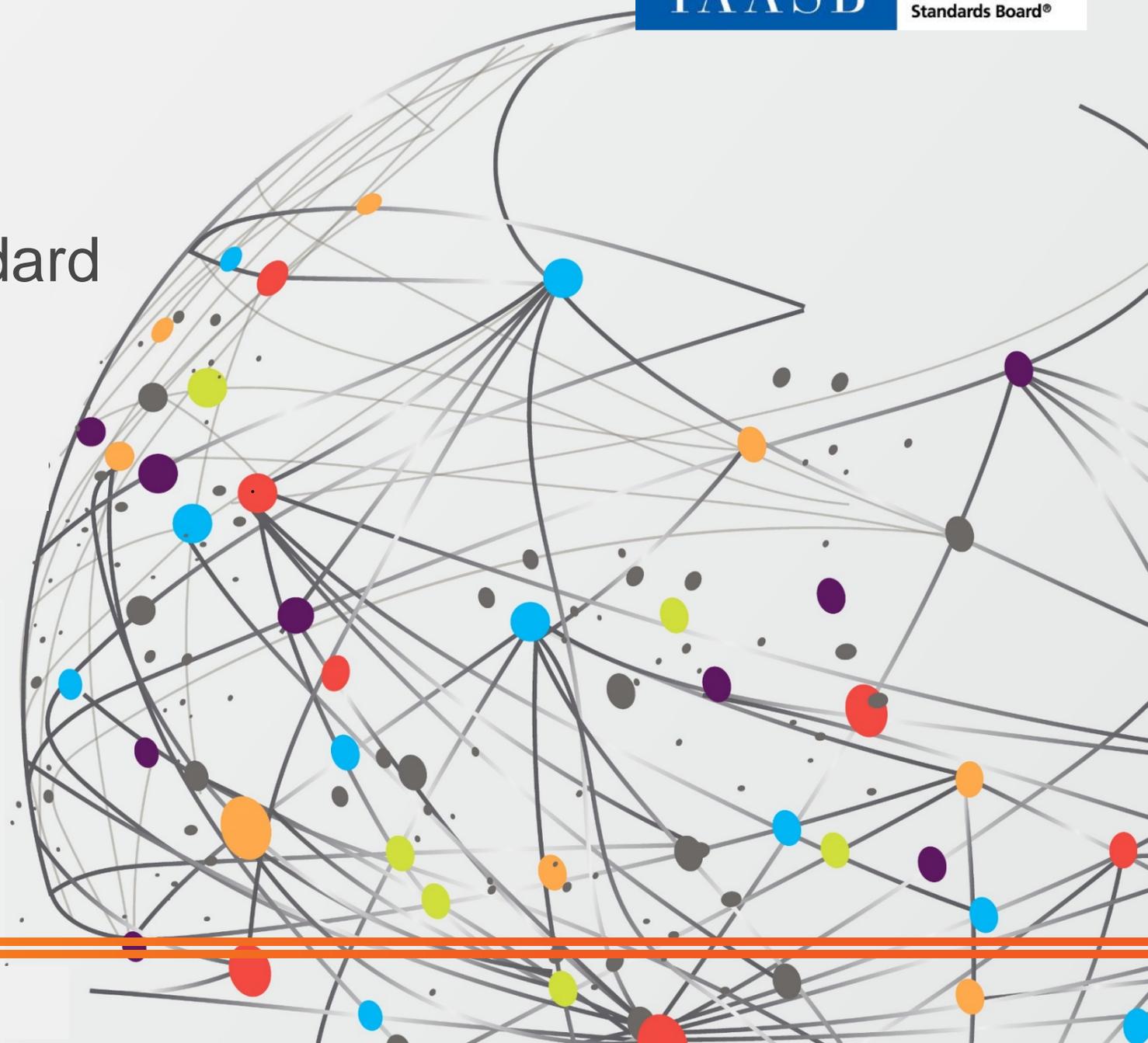


# Audits of Less Complex Entities: Separate Standard

Presented by:  
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Task Force Chair

IAASB Meeting  
By Videoconference, May 11, 2021



# 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



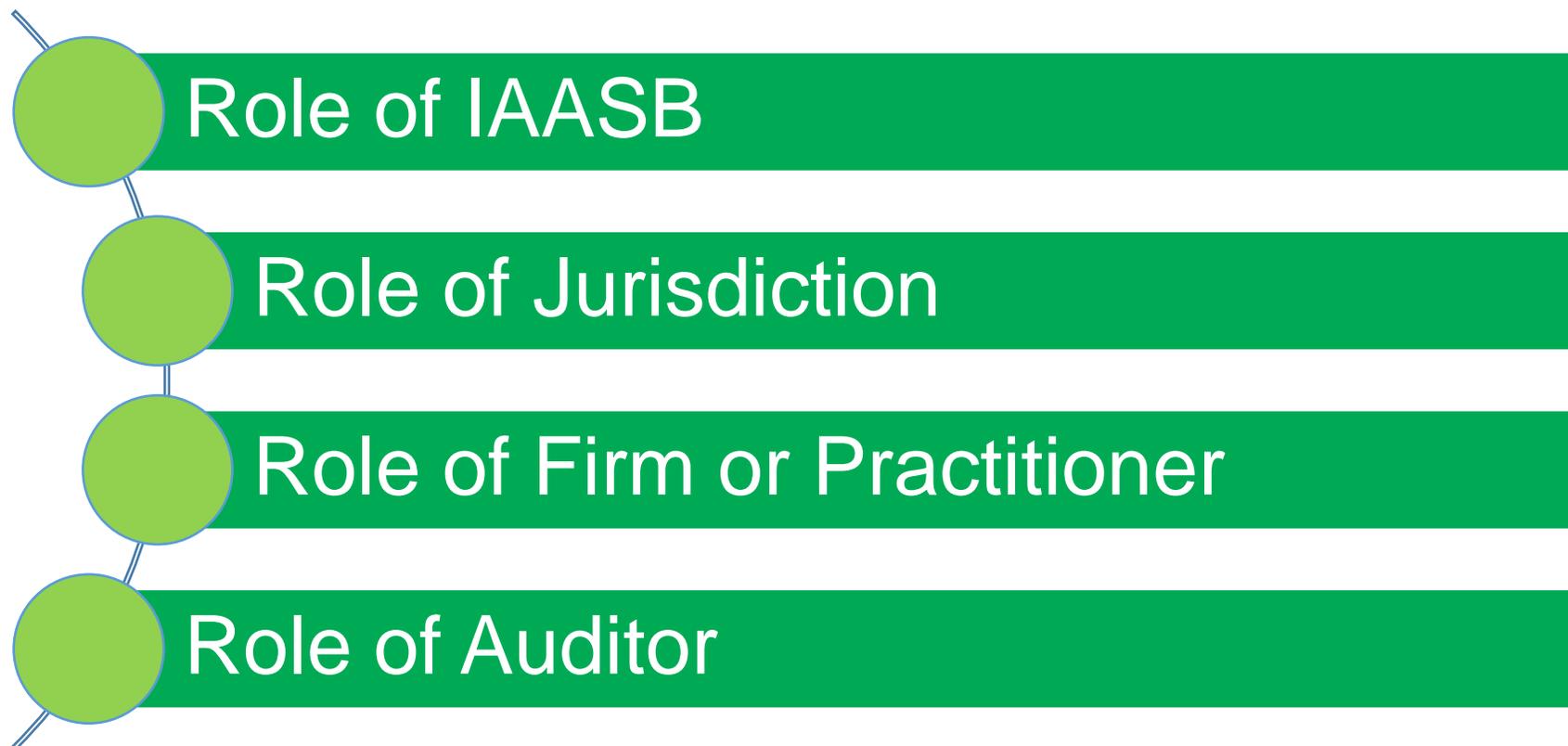
# Authority

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# Refining the Authority





# Authority of the Standard

IAASB: ISA for LCE	<p><b>EXCLUSIONS DESIGNED FOR GLOBAL USE:</b></p> <ul style="list-style-type: none"> <li>X Restricted by Laws or Regulation</li> <li>X Group Audits</li> <li>X Listed Entities</li> <li>X Specific “PIE Categories”*</li> </ul>
Local Jurisdiction	<p><b>EXCLUSIONS AND REFINEMENT APPROPRIATE FOR LOCAL USE:</b></p> <ul style="list-style-type: none"> <li>• Further restrict use of the standard</li> <li>• Refinement of restrictions based on local jurisdiction</li> <li>• Additional factors or quantitative thresholds</li> </ul>
Firm	<p><b>CONSIDERATIONS AT FIRM LEVEL:</b></p> <ul style="list-style-type: none"> <li>• Internal policies or procedures for use of the standard</li> <li>• Further restrictions (cannot change jurisdictional restrictions)</li> </ul>
Auditor	<p><b>EVALUATION AT ENGAGEMENT LEVEL:</b></p> <ul style="list-style-type: none"> <li>• Client Acceptance or Continuance</li> <li>• Stand back</li> </ul>

**\*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

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# 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

*\*Requirements relating to component auditors would not be included in standard*

# Options for Respondents : Overview

## 1: Group Audits remain Fully Excluded

- ✓ Status quo: no additional complexity or length
- ✓ 'Less complex' groups cannot use the standard
- ✓ May limit the use of the standard

## 2: Group Audits Included, Component Auditor Requirements Excluded

- ✓ Easier to apply - fewer group audit requirements
- ✓ Judgement about complexity of the group already made using component auditors as a "proxy" for complexity
- ✓ May inappropriately influence decision not to use component auditors

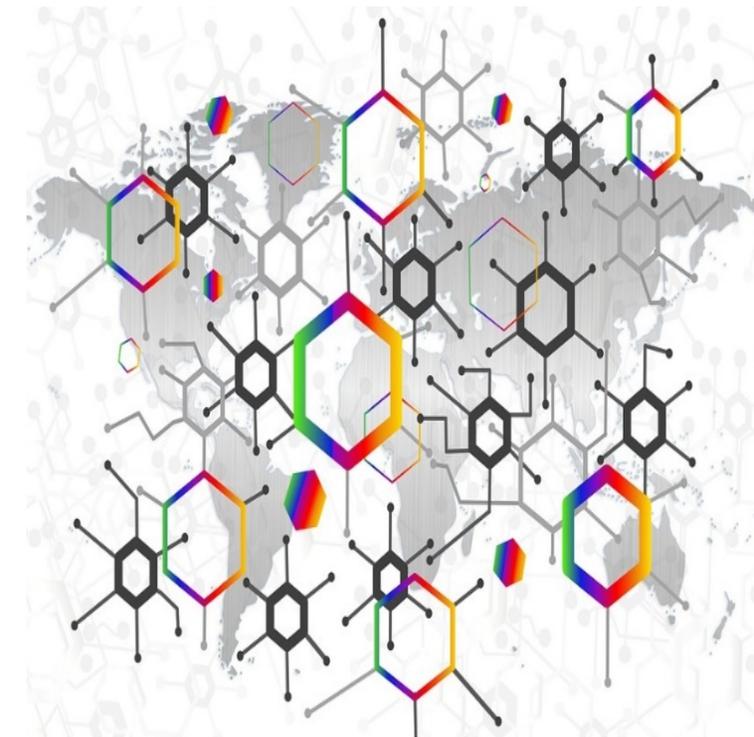
## 3. Group Audits Included, Component Auditor Requirements Included

- ✓ Wider audience - ISA for LCE could be used for more group audits
- ✓ More requirements to be included – increase length of standard
- ✓ More judgment about the complexity of the group (may make intended scope less clear)

# 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?

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# 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

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