

Agenda Item C.4

For Reference

Please note: This is the IAASB Audits of LCEs Issues Paper that was discussed by the Board at the June 2023 IAASB quarterly meeting (Agenda Item 4). This paper is provided to the IAASB CAG Representatives in September 2023 for reference purposes. Other June 2023 Audits of LCEs Agenda Items, as summarized below, may be accessed through the IAASB's [Meeting Page](#).

Audits of Less Complex Entities – Selected Issues

Objectives of the Board Discussion

The objectives of this session are to:

- a) Obtain the Board's input on proposed revisions to the proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA for LCE), excluding Part 10, *Audits of Group Financial Statements* and conforming amendments.
- b) Obtain direction regarding the way forward with respect to selected matters, including any areas of the standard that may cause an issue for transitioning to the International Standards on Auditing (ISAs).

Board Discussion

Issues Paper

This paper describes the issues addressed by the Less Complex Entities (LCE) Task Force (the Task Force) and for discussion with the IAASB at its June 2023 meeting.

The following appendices to this Agenda Item have been presented:

Appendix 1	Task Force Members and Activities
Appendix 2	Reconciliation of ED-ISA for LCE Question Analysis

In addition to this issues paper, the following agenda items have been presented:

Agenda Item 4-A	Explanation of Significant Changes to Proposed ISA for LCE
Agenda Item 4-B	Proposed ISA for LCE – Marked
Agenda Item 4-C	Proposed ISA for LCE – Clean
Agenda Item 4-D	Proposed Conforming Amendments
Supplement 1 to Agenda Item 4	Respondent Summary Analysis (Targeted Areas)
Supplement 1-01 to Agenda Item 4	Respondent Detailed Comments (Q9 – Preface)

Supplement 1-02 to Agenda Item 4	Respondent Detailed Comments (Q9 – Part 1, Selected Responses from Q7(c))
Supplement 1-03 to Agenda Item 4	Respondent Detailed Comments (Q9 – Part 7, Excluding Accounting Estimates and Specific Documentation Requirements)
Supplement 1-04 to Agenda Item 4	Respondent Detailed Comments (Q9 – Part 8, Excluding Responses Related to Specific Documentation Requirements)
Supplement 1-05 to Agenda Item 4	Respondent Detailed Comments (Q10 – Part 9, Q11 – Reporting Supplemental Guide)
Supplement 1-06 to Agenda Item 4	Respondent Detailed Comments (Q9 – Appendices)
Supplement 1-07 to Agenda Item 4	Respondent Detailed Comments (Q2 – Conforming Amendments to the IAASB Preface)
Supplement 1-08 to Agenda Item 4	Respondent Detailed Comments (Q13 – Transitioning)
Supplement 1-09 to Agenda Item 4	Respondent Detailed Comments (Q17(c) – Challenges for Implementation)

Introduction

What Have We Done Since We Last Met?

- Appendix 1** sets out the members of the Task Force, as well as its activities.
- Following direction provided by the Board in the March 2023 IAASB meeting (see draft minutes on [IAASB Meetings Page](#)), the Task Force proposed further revisions to:
 - 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*; and
 - Requirements relating to Accounting Estimates (specific requirements from Part 7, *Responding to Assessed Risks of Material Misstatement*).
- The Task Force also continued to analyze responses to the [Exposure Draft](#) of the ISA for LCE (ED-ISA for LCE) and has proposed revisions in the following areas of the proposed ISA for LCE:
 - Preface – *ISA for LCE*;

- (b) Part A, *Authority*;
 - (c) Part 1, *Fundamental Concepts, General Principles and Overarching Requirements*;
 - (d) Remaining requirements from Part 7, *Responding to Assessed Risks of Material Misstatement*;
 - (e) Part 8, *Concluding*;
 - (f) Part 9, *Forming an Opinion and Reporting*; and
 - (g) Appendices.
4. The Task Force also discussed revisions to the proposed conforming amendments to the Preface included in the IAASB handbook, and the way forward regarding selected questions from the Explanatory Memorandum (EM), including question 13 about challenges for transitioning to the ISAs and supporting materials that would assist) and question 17(c) about challenges for implementation.
 5. A reconciliation of the questions for respondents of ED-ISA for LCE (respondents), along with the date discussed or the expected date to be presented to the Board for discussion is described in **Appendix 2**.

Liaison with Others

6. IAASB Staff provided a draft of the revisions to the proposed standard to the International Ethics Standards Board for Accountants (IESBA) Staff for a targeted review of requirements relevant to ethics, including those in the Authority, Part 1 and Part 3. Relevant revisions proposed by IESBA are reflected in **Agenda Item 4-B**. IAASB Staff will continue to liaise with IESBA addressing definitions of listed entities and public interest entities in the ISAs, regarding any further changes to the Authority that may be relevant.
7. As the LCE project progresses and further revisions are proposed, Staff supporting the LCE project will consider liaising with other task forces, working groups or consultations groups as appropriate.

I. Preface – ISA for LCE

Background

8. As the proposed ISA for LCE is a standalone standard, the ED-ISA for LCE included a Preface to explain the design, intended use and format of the proposed standard, the responsibilities of management, as well as other relevant matters that do not form part of the standard.
9. Although the IAASB did not ask a specific question in the EM of ED-ISA for LCE regarding the Preface, some respondents provided comments on its content, which are presented in **Supplement 1-01**.

What We Heard

10. Regarding the Preface, based on respondents' comments, the following themes were identified:
 - (a) *Alignment with the Authority*. Respondents noted that paragraphs in the Preface that related to the Authority (paragraphs P.2.–P.4.) were unclear, in particular those relating to limitations for use of the ISA for LCE. Respondents also noted that paragraph P.4. appeared to be

inconsistent with responsibilities of legislative or regulatory authorities or relevant local bodies with standard-setting authority described in Part A, *Authority* and may be misleading.

- (b) *General Purpose Financial Statements*. Respondents questioned if the Preface should explicitly state that the ISA for LCE is only to be applied to general purpose financial statements, if engagements performed using the ISA 800-series¹ continue to be excluded from the scope of the proposed standard.

The Task Force Views and Recommendations

Alignment with the Authority

- 11. The Task Force proposes a number of revisions to the Preface to align better with the revised Authority of the standard as well as to align with other revisions to the proposed standard. These are described further in **Agenda Item 4-A**.

ISA-800 Series

- 12. In the March 2023 Board meeting, the Board agreed not to develop requirements to address the ISA 800-series within the ISA for LCE at this time. However, the Board proposed exploring further the possibility of an interim solution to allow use of the standard for such engagements, with additional guidance provided outside of the ISA for LCE to help auditors understand what additional procedures would need to be performed.

ISA 800 and ISA 805

- 13. In discussing a way forward, the Task Force acknowledged the views from respondents that these engagements may be relevant for LCEs (in particular, the use of special purpose frameworks). Therefore, the Task Force proposes wording in the Preface (paragraph P.1.A) to allow use of the standard, to be adapted as necessary, to an audit of a complete set of special purpose financial statements or an audit of a single financial statement or of a specific element, account or item of a financial statement, only if the entity is an LCE as set out in Part A.
- 14. The Task Force is of the view that guidance could be provided to explain how the concepts in ISA 800 (Revised) and ISA 805 (Revised) could be applied to an audit using the ISA for LCE. In addition, illustrative auditor reports addressing the reporting requirements could be included in the Reporting Supplemental Guide.

ISA 810

- 15. The Task Force considered the mixed views from respondents regarding if engagements to report on summary financial statements are relevant to LCEs, as well as the nature of ISA 810 (Revised) as a self-contained, separate standard to perform such an engagement (i.e., as opposed to ISA 800 (Revised) and ISA 805 (Revised) which contain requirements that would be performed in addition to those in other ISAs). The LCE TF concluded that an engagement to report on summary financial

¹ The ISA 800-series includes: ISA 800 (Revised), *Special Considerations – Audits of Financial Statements prepared in accordance with Special Purpose Frameworks*; ISA 805 (Revised), *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*.

statements would not be common for a typical LCE, other than in limited jurisdictions which would be able to develop jurisdictional specific requirements to address if necessary. Therefore, the Task Force proposes not to address the requirements of ISA 810 (Revised) within the current project.

Matters for Board Consideration

1. The Board is asked for their views on proposed revisions to the Preface and Part A described in Section I to this issues paper and **Agenda Item 4-A**, and as presented in **Agenda Item 4-B**.

II. Part 1 – Fundamental Concepts, General Principles and Overarching Requirements

Background

16. The Task Force analyzed the responses to question 9 (i.e., views on the content of Parts 1 through 8) in the EM, focusing on the responses to Part 1, and selected responses related to professional skepticism and professional judgment from question 7 (i.e., views on the key principles used in developing ED-ISA for LCE). Respondents' feedback is presented in **Supplement 1-02**.

What We Heard

17. Respondents suggested to include an explicit reference of what relevant ethical requirements in paragraph 1.2.1. are referring to. It was understood that this is in the Glossary, but respondents preferred to include in Part 1 for ease of reference and clarity. It was also suggested, given the importance of ethical and independence requirements in an audit, that Essential Explanatory Material (EEM) should be included to address the fundamental concepts and principles addressed in IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), similarly to paragraphs A17 and A18 of ISA 200.²
18. Respondents also suggested that it would be useful to categorize, or distinguish, essential communication requirements (i.e., communication requirements essential where all those charged with governance are involved in managing entity and then conditional for when they are separate).
19. In addition to the above, respondents had several smaller suggestions on how to enhance Part 1.

The Task Force Views and Recommendations

20. The Task Force discussed and agreed with respondents' comments that additional EEM about what relevant ethical requirements may be and the fundamental principles the IESBA Code establishes is useful. Therefore, the Task Force proposes to add EEM under paragraph 1.2.1.
21. The Task Force discussed communication requirements, noting that the majority of requirements in the proposed standard are "with management and *where appropriate*, those charged with governance." This is consistent with the related requirements in the ISAs. Where requirements to communicate are *only* with those charged with governance this is generally due to specific and conditional circumstances (e.g., management's refusal to allow the auditor to send a confirmation request in paragraph 7.3.23). The Task Force considered the limited number of requirements that

² ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

would be distinguished as only requiring communication if management and those charged with governance were separate, and did not deem it necessary, and due to the specific circumstances for each requirement, may lead to more confusion for the auditor. The Task Force therefore does not propose to change the presentation.

22. Prompted by the discussion on communication requirements, the Task Force also performed a holistic review of communication requirements throughout the standard, comparing against the corresponding requirements in the ISAs and made some changes for consistency, where relevant (as described further in **Agenda Item 4-A**).
23. The Task Force discussed and addressed the suggestions to the proposed standard on removing repetition and other wording needing clarification. The details of the changes are described in **Agenda Item 4-B** and the explanation of the changes are described in **Agenda Item 4-A**.

Matters for Board Consideration

2. The Board is asked for their views on proposed revisions to the following Parts as described in **Section II** to this issues paper and **Agenda Item 4-A**, and as presented in **Agenda Item 4-B**:
 - (a) Part 1;
 - (b) Parts 2, 3 and 4; and
 - (c) Parts 5 and 6

III. Part 7 – Responding to Assessed Risks of Material Misstatement

Background

24. The Task Force analyzed the responses to question 9 (i.e., views on the content of Parts 1 through 8) in the EM, focusing on the responses to Part 7. Respondents' feedback is presented in **Supplement 1-03**.

What We Heard

25. Generally, respondents supported the requirements and EEM included in Part 7 noting that the related requirements in the ISAs have been appropriately condensed and combined, which allows for easier reading and application of the requirements.
26. However, respondents also noted several areas where further requirements or EEM were needed for the standard to be able to be applied as a standalone standard. The main area of concern related to audit sampling (see paragraph 28). Other areas where further requirements or EEM were deemed useful are set out in paragraph 30 below.

Structure of Section 7.3

27. Respondents noted that the ordering of paragraphs in the section on audit procedures responsive to the assessed risks of material misstatement at the assertion level is not mirroring the ordering in the ISAs and the flow of an audit. Therefore, respondents suggested to change the ordering to:
 - (a) Audit procedures responsive to the assessed risks of material misstatement at the assertion level;

- (b) Tests of controls;
- (c) Substantive procedures (including substantive analytical procedures);
- (d) Audit sampling; and
- (e) External confirmations.

Audit Sampling

28. As noted in paragraph 26 above, the most significant comments received on Part 7 related to the section on audit sampling. Respondents noted that the concept of sampling is integral to an audit and that it is a fundamental audit procedure for fully substantive audits. Therefore, respondents were of the view that more guidance is needed, particularly as it relates to:
- (a) *Designing a sample.* Respondents suggested to add guidance that explains how the auditor considers the purpose of the audit procedures and the characteristics of the population
 - (b) *Determining sample sizes.* Respondents suggested to add in the ISA for LCE more guidance similar to appendix 2 and appendix 3 of ISA 530³.
 - (c) *Selecting of Items for testing.* Respondents suggested to add guidance that explains the key principles when selecting items for testing.
 - (d) *Evaluating the results of audit sampling.* Respondents suggested to add guidance that explains how the results of the sample should be evaluated when the sampling was used for tests of controls or for tests of details.

Other Matters

29. In addition, respondents had various suggestions on how to enhance Part 7, including the following:
- (a) *Incorporating an element of unpredictability.* Respondents noted that including an element of unpredictability (as required by paragraph 7.2.2.(c)) may be challenging when taking a fully substantive audit approach and suggested to add guidance.
 - (b) *Substantive Analytical Procedures.* Respondents noted that more guidance is needed on how to operationalize substantive analytical procedures for LCEs, including when it is appropriate to use them. It was also questioned whether the EEM included in ED-ISA for LCE can support consistent interpretation and application of the requirements.
 - (c) *Substantive procedures.* With respect to paragraph 7.3.18B (paragraph 7.3.16 in the ED-ISA for LCE), respondents noted that it is unclear whether one can only raise a risk and respond to that assertion, or whether all assertions need to be tested on a material class of transaction, account balance or disclosure.
 - (d) *Test of Controls.* Respondents suggested to align paragraph 7.3.15 with ISA 330.⁴ It was noted that ED ISA for LCE “lost” the work effort verb of “determine” and only requires the auditor to “make specific inquiries to understand.”

³ ISA 530, *Audit Sampling*

⁴ ISA 330, *The Auditor's Responses to Assessed Risks*

- (e) *Management Override of Controls*. Respondents noted that paragraph 7.4.7 was not written as a requirement but rather as a statement of fact. They also noted that it is covered by paragraph 6.4.3.D (paragraph 6.5.7 in the ED-ISA for LCE) and should therefore be deleted.
- (f) *Related Parties*. Respondents suggested streamlining this section as management of an LCE rarely keep records of related party relationships or transactions, or have formal related controls.
- (g) *Inventory*. Respondents noted that inventory should be treated as any other balance in respect of assessing the risk and audit response to the assessed risk. As such, attending inventory count could be, but does not have to be, an important audit response both from an internal control procedures perspective and from a substantive procedures perspective and could form part of the auditor's procedures to obtain sufficient and appropriate audit evidence. It was also suggested that attending physical stock take should only be required if inventory is a significant account balance.
- (h) *Litigation and Claims*. Respondents noted that there is no guidance to address situations when the auditor is unable to send a legal letter, or no response is received when a legal letter is sent. It was noted that these situations do occur in an audit of an LCE and it was suggested to include paragraph 11 of ISA 501⁵ in the ISA for LCE.
- (i) *Service organizations*. Respondents noted that many LCE use service organizations and that the guidance related to the use of a service organization is minimal in the ED-ISA for LCE. Respondents noted that more guidance or requirements are needed related to the use of Type 1 or Type 2 reports or test controls at the Service Organization. It was also noted that there is a risk of confusion about the extent to which the proposed standard addresses reliance on controls at a service organization.
- (j) *Using the Work of an Auditor's Expert*. Respondents questioned whether the entity is truly an LCE if the auditor finds it necessary to employ an expert in order to obtain sufficient appropriate audit evidence in support of the audit opinion.
- (k) *Accumulation of Misstatements*. Respondents noted that ISA 450⁶ paragraph 7 was not included and were of the view that this requirement is not properly addressed in paragraph 7.7.1(f) (the mapping document noted that paragraph 7.7.1(f) addressed ISA 450, paragraph 7). Respondents noted that while the documentation requirement may result in the auditor obtaining sufficient appropriate audit evidence that all identified misstatements have been corrected, the auditor would not have obtained evidence regarding whether other misstatements remain.
- (l) *Specific Documentation Requirements*. Respondents noted that ISA 330, paragraph 29 was missing from the ED-ISA for LCE and suggested to add this paragraph.

⁵ ISA 501, *Audit Evidence – Specific Considerations for Selected Items*

⁶ ISA 450, *Evaluation of Misstatements Identified During the Audit*

The Task Force Views and Recommendations

Structure of Section 7.3

30. The Task Force discussed respondents' comments about the ordering of this section and agrees that it could be improved. In response the Task Force changed the order of section 7.3 so that it is mirroring the ISAs and the flow of an audit.

Audit Sampling

31. The Task Force had extensive discussions on how to address respondents' concerns about audit sampling. It was noted that some of the comments may have been the result of a general lack of guidance and understanding on how to perform audit sampling. In addressing respondents' comments, the Task Force tried to balance the requests for more guidance and the nature of this standard.
32. In developing its guidance, the Task Force went back to ISA 530 but also other guidance such as the International Federation of Accountants' (IFAC) [*Guide to Using ISAs in the Audits of Small- and Medium-Sized Entities*](#) (IFAC's Guide). The Task Force made the following significant changes to the section:
- (a) Designing a sample. The Task Force added guidance based on ISA 530 and IFAC's Guide explaining considerations for:
 - (i) Designing the test;
 - (ii) The characteristics of a population.
 - (b) Determining sample sizes. The Task Force agrees with respondents that more guidance could be added to explain factors influencing the sample size for tests of controls and test of details. Therefore, as suggested by respondents to the ED-ISA for LCE, the Task Force added guidance based on ISA 530, appendices 2 and 3. Given the length and specificity of the guidance, the Task Force is of the view that it is best placed in an Appendix.
 - (c) Selecting Items for Testing. The Task Force added EEM that is based on ISA 530, paragraph 12 and which explains some key principles when selecting items for testing. The Task Force is of the view that this guidance is useful as it explains the differences between selecting items for a statistical sample and a non-statistical sample and it explains the principal methods of selecting samples.
 - (d) Evaluating the results of audit sampling. The Task Force added EEM that is based on ISA 530 paragraphs A21, A22 and A23. Given the additions, the guidance in the ISA for LCE is substantially the same as in the ISAs, thereby addressing respondents' concerns.

Other Matters

33. Based on comments from respondents to the ED-ISA for LCE, the Task Force carefully considered the comments from respondents to the ED-ISA for LCE and made several changes to Part 7. Please refer to **Agenda Item 4-B** for the proposed changes and **Agenda Item 4-A** for explanations of the significant changes.

34. In addition, the Task Force discussed the following matters highlighted in paragraph 29 and decided not to make changes to the ISA for LCE:
- (a) *Inventory.* The Task Force decided not to make a change regarding the inventory requirements in response to respondents' comments as set out in paragraph 29(g) above. The Task Force is of the view that the requirements would not be aligned with the ISAs and is of the view that there is no compelling reason why the ISA for LCE should deviate from the ISAs. It is noted that inventory is often an important account balance in an LCE.
 - (b) *Service organizations.* The Task Force decided not to include requirements related to the reports on the description, design, or operating effectiveness of controls at a service organization (i.e., type 1 or type 2 reports) in the ISA for LCE. The Task Force remained of the view that type 1 or type 2 reports are not often used as audit evidence to support the auditor's understanding of the design and implementation of controls at the service organization. It is noted that the auditor may obtain a copy of the type 1 or 2 report and use it for its general understanding of the entity but that these reports are not often used as audit evidence (i.e., relied upon). Also see **Agenda Item 4-A**, related to paragraph A.2.
 - (c) *Using the Work of an Auditor's Expert.* The Task Force discussed respondents' comments regarding the use of an auditor's expert and noted that, as previously discussed with the Board, it could be an indicator of complexity but that this is not always the case. The Task Force notes that in an LCE there may not be the necessary expertise in a field other than accounting or auditing so the auditor's expert's work may be used. Therefore, the Task Force is of the view that when an auditor's expert is used, the nature and circumstances of the underlying matter drive the auditor's determination of complexity, not the use of the expert itself.

Matters for Board Consideration

3. The Board is asked for their views on proposed revisions to Part 7 as described in **Section III** to this issues paper and **Agenda Item 4-A**, and as presented in **Agenda Item 4-B**.

IV. Part 8 – Concluding

Background

35. The Task Force analyzed the responses to question 9 (i.e., views on the content of Parts 1 through 8) in the EM of ED-ISA for LCE, focusing on the responses to Part 8. Respondents' feedback is presented in **Supplement 1-04**.

What We Heard

Subsequent Events

36. Respondents noted that the section on Subsequent Events missed what they felt are critical requirements. This included requirements that apply when:
- (a) Facts which become known to the auditor after the date of the auditor's report but before the date the financial statements are issued; and
 - (b) Facts which become known to the auditor after the financial statements have been issued.

37. The EM explained that requirements in these sections were not included to make the proposed standard succinct and that this is not expected to be a common occurrence in a typical LCE. However, respondents noted that it may not be rare to occur during the audit of an LCE and when it does occur, the lack of these requirements may require the engagement to transition to ISAs. It was noted that this would not be practical at that stage of the audit.

Other Suggestions

38. In addition, respondents had various suggestions on how to enhance Part 8, including the following:

- (a) *Repetitive requirements.* It was noted that some of the requirements seemed to be repetitive and only needed to be included once. For example, paragraph 8.5.2.(c) requires the auditor to evaluate that sufficient appropriate audit evidence has been obtained with respect to accounting estimates. This is already covered by paragraph 8.5.5. in general terms.
- (b) *Alignment with the ISAs.* Respondents noted that some of the descriptions may deviate from the original requirements in ISAs and may result in requirements that are even more onerous than the ISAs. For example, paragraph 8.3.1. requires the auditor to design and perform analytical procedures to identify any indications of a previously unidentified risk of material misstatement due to fraud “or error.” It was noted that ISA 520⁷ paragraph 6 and ISA 240⁸ paragraph 35 do not include a reference to “error”.
- (c) *Stand-back related EEM.* Respondents noted that EEM under paragraph 8.5.1., which refers to the appropriateness of use of the proposed ISA for LCE, could be elevated to a requirement.
- (d) *Written representations.* Respondents noted that the decision to require written representations could be based on the auditors’ risk assessment. It was noted that written representations have informative value but at the same time the added value is questionable since the law in many countries requires management to not withhold any necessary information from the auditor and managements are required to sign the financial statements.

The Task Force Views and Recommendations

39. Based on detailed analysis of respondents’ comments, the Task Force proposes revisions and additional guidance to Part 8. Please refer to **Agenda Item 4-B** for the proposed changes and **Agenda Item 4-A** for explanations of the significant changes, other than those described below.

Subsequent Events

40. The Task Force discussed respondents’ comments regarding subsequent events and noted that it is still presumed to be unlikely for a typical LCE to have subsequent events for situations noted by respondents. However, the Task Force agrees that it is not practical to transition to ISAs at the point when subsequent events occur. Therefore, the Task Force reviewed ISA 560,⁹ requirements not included in the ED-ISA for LCE (specifically paragraphs 12, 13 and 15 to 17) and selected requirements which may be added.

⁷ ISA 520, *Analytical Procedures*

⁸ ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

⁹ ISA 560, *Subsequent Events*

41. The Task Force is of the view that paragraph 12 of ISA 560 (i.e., the requirement relating to the auditor restricting the audit procedures on subsequent events to just the amendment) is mostly a jurisdictional matter and not expected to be common for an LCE. As such, this requirement, and the reference to the requirement in ISA 560, paragraph 15, are not deemed necessary. The Task Force is of the view that, on balance, the other requirements identified by respondents (i.e., paragraphs 13, 16 and 17 of ISA 560) could be added to the proposed standard.
42. The Task Force also noted that ISA 560, paragraph 13 (a) and paragraph 16 refers to the content of the auditor's report and should be located at Part 9, *Forming an Opinion and Reporting*. Paragraph 13 (a) is related to the auditor's opinion to be modified thus has been placed in Table C in Part 9, and paragraph 16 is related to the content of other paragraphs in auditor's report thus has been located in paragraph 9.6.4A.

Other Matters

43. In responses to the matters noted in paragraph 38, the Task Force responded as follows:
 - (a) *Repetitive requirements*. Task Force deleted requirements that are deemed repetitive of each other. Please see **Agenda Item 4-A** for the details.
 - (b) *Alignment with the ISAs*. The Task Force changed the descriptions which seem to be deviating from the original requirements in ISAs and may cause unintended consequences. Please see **Agenda Item 4-A** for details.
 - (c) *Stand-back related EEM*. The Task Force notes that paragraph 6.5.A. already requires an evaluation whether the ISA for LCE continues to be appropriate for use, and paragraph 8.5.1. links back to risk assessment by requiring evaluating if the assessments of the risks of material misstatement remain appropriate. Therefore, the current structure (i.e., paragraph 8.5.1. and the EEM) is appropriate and to avoid over-complication decided not to make the suggested change.
 - (d) *Written representations*. The Task Force decided not to make the suggested change since it is hard to justify this difference from ISAs based on the typical nature and circumstances of an LCE.

Matters for Board Consideration

4. The Board is asked for their views on proposed revisions to Part 8 as described in **Section IV** to this issues paper and **Agenda Item 4-A**, and as presented in **Agenda Item 4-B**.

V. Part 9 – Forming an Opinion and Reporting

Background

44. The Task Force analyzed the responses to question 10 and 11 of the EM which asked about the approach to reporting requirements in Part 9 and the proposed accompanying guide. Respondents feedback is presented in **Supplement 1-05**.
45. As described in the EM, Part 9 of ED-ISA for LCE presents the reporting requirements using the following approach:

- (a) Providing specified content and format for an unmodified auditor's report. Departures from the wording of the report are not permitted except where required for compliance with law or regulation, or when the opinion or report needs to be modified in response to the specific engagement circumstances.
 - (b) Using tables to present requirements related to the circumstances that may lead to the modification of reports, and the text that may be used in the report where modifications occur.
 - (c) Using tables to present the form and content when using emphasis of matter, other matter, material uncertainty related to going concern and other information paragraphs.
 - (d) Including requirements in a standard text format where the presentation is not specified above.
46. In addition to the requirements in Part 9, the IAASB developed a non-authoritative guide (Reporting Supplementary Guide) to provide further guidance and examples on modifications to the auditor's report, including a number of full illustrative reports.

What We Heard

47. Respondents, on balance, showed support for the approach taken in Part 9 and the Reporting Supplemental Guide, in particular praising the clarity and understandability of the Part and the innovative use of tables for presenting requirements. The more significant themes of comments included:
- (a) *Need to Reference the ISA for LCE in the Auditor's Report.* There were mixed views with regard to whether the auditor's report needed to refer to the ISA for LCE (i.e., rather than the "ISAs"). Respondents that did not support the reference questioned why a distinction was made when reasonable assurance is achieved and all requirements from the ISAs that are relevant to an LCE are included. Respondents also noted that such a reference may cause confusion, increase the expectation gap and reduce the acceptance of the proposed standard. On the other hand, respondents that supported the reference noted that the transparency of which standard was used is important, and vital for regulator acceptance.
 - (b) *Specified Format and Content of Auditor's Report.* There was overall support for the approach to use the format and content of an unmodified audit report as a requirement, with respondents noting it was easy to understand and follow. Where respondents didn't support the approach, it was generally due to the lack of flexibility for modification or because the respondents preferred not to deviate from the presentation of requirements in the ISAs. Respondents also noted specific circumstances where a prescribed form or content of a report may not technically fall under "law or regulation" in their respective jurisdiction and suggested to allow referring to auditors' responsibilities outside of the report (e.g., in an appendix).
 - (c) *Location and Authority of Illustrative Reports.* On balance, respondents supported the inclusion of illustrative reports in the Reporting Supplemental Guide. On the other hand, a number of respondents noted they would prefer the reports to be included in the proposed standard (e.g., as appendices consistent with the ISAs). Other respondents noted that auditors may be confused about the authority of non-authoritative guidance or may be less likely to go to other sources outside the proposed standard for further guidance. These concerns were raised more generally about the intention to use supplemental guides, not just specific to the Reporting Supplemental Guide.

- (d) *Suggestions for Additional Requirements.* Respondents identified individual requirements from the ISAs that, in their view, should be added to the proposed standard. These included requirements relating to content that may be included in the auditor's report in the event of specific situations where an opinion is modified.
- (e) *Suggestions for additional content in the Reporting Supplemental Guide.* Respondents suggested additional illustrative reports or other guidance for the Reporting Supplemental Guide.

The Task Force Views and Recommendations

48. The Task Force discussed the respondents' feedback regarding the reference to the ISA for LCE in the auditor's report and responded as follows:

- (a) *Need to Reference the ISA for LCE in the Auditor's Report.* The Task Force considered respondents' suggestion that a reference to the ISA for LCE in the Auditor's Report is not needed and is of the view that the auditor's report should continue to refer to the ISA for LCE. The Task Force came to this decision based on the discussion in the March 2023 Board meeting on including a reference to the ISA for LCE in the engagement letter and because of regulator acceptance of the standard.
- (b) *Specified Format and Content of Auditor's Report.* The Task Force considered the examples provided by respondents of situations where the auditor's report may need to be modified due to prescribed form or content not considered as 'law and regulation.' As a result, the Task Force proposes revisions to paragraph 9.4.1(a) to also allow modification where form or content is prescribed by a legislative or regulatory body or a relevant local body with standard-setting authority. The Task Force also allows for the auditors' responsibilities to be presented in an appendix or website, where expressly permitted by a jurisdiction (footnote to the auditor's report included under paragraph 9.4.1). In addition, other minor changes are made to the auditor's report to clarify what may or may not be modified.
- (c) *Location and Authority of Illustrative Reports.* Based on the general support, the Task Force is of the view it is appropriate to keep the illustrative reports in the Reporting Supplemental Guide. The Task Force notes that all relevant reporting requirements are included in Part 9 of the proposed standard and that the Reporting Supplemental Guide only provides additional guidance and illustrations which do not require authoritative status. Also, adding the matters from the Reporting Supplemental Guide would significantly add to the length of the proposed standard if added as Appendices. The Task Force acknowledges the concern of some respondents regarding having multiple sources but noted that other respondents supported the approach of including only requirements and essential guidance (i.e., EEM) in the standard, with supplemental guidance for specific situations where needed. They noted that it makes the standard succinct and easier to use.
- (d) *Suggestions for Additional Requirements.* The Task Force considered the different one-off requirements that were noted by respondents as needed to be added to the ISA for LCE. The changes made are described in **Agenda Item 4-A**.
- (e) *Suggestions for additional content for the Reporting Supplemental Guide.* The Task Force will further review and analyze these comments when finalizing the Reporting Supplemental Guide.

Matters for Board Consideration

5. The Board is asked for their views on proposed revisions to Part 9 as described in **Section VI** of this issues paper and **Agenda Item 4-A**, and as presented in **Agenda Item 4-B**.

VI. Other Matters**Conforming Amendments**

49. The Preface to the International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements (the IAASB Preface) describes the scope and authority of the pronouncements that the IAASB issues. With the introduction of a new category of international standards, ED-ISA for LCE included conforming amendments to the IAASB Preface to facilitate this new category of international standards.
50. The Task Force analyzed the responses to question 2 in the EM which asked for views on the proposed conforming amendments to the IAASB Preface. Respondents feedback is presented in **Supplement 1-07**. Respondents were generally supportive of the amendments, with some suggestions for clarifications. In response, the Task Force proposes some minor revisions which are described in **Agenda Item 4-A**, and as presented in **Agenda Item 4-D**.

Matters for Board Consideration

6. The Board is asked for their views on proposed revisions to the Conforming Amendments to the IAASB Preface as presented in **Agenda Item 4-D**.

Question 13(a) and 13(b) – Transitioning to the ISAs

51. The Task Force analyzed the responses to question 13 in the EM which asked for challenges for transitioning to the ISAs and what support materials would assist in addressing the challenges. Respondents feedback is presented in **Supplement 1-08**.

What We Heard

52. The themes identified for the responses to question 13 (a) (Are there any aspects of the proposed standard, further to what has been described above, that may create challenges for transitioning to the ISAs?) are summarized below:
 - (a) *Lack of flexibility to use ISAs*. Respondents suggested to allow the use of ISAs or additional “modules” (as described in paragraph 138 of the EM) to address complex situations identified subsequent to engagement acceptance or continuance. Respondents also questioned whether the ISA for LCE could continue to be used if, subsequent to engagement acceptance or continuance, one complex item occurs.
 - (b) *Authority*. Respondents noted challenges in determining whether the ISA for LCE is appropriate for use. Also, respondents did not agree that it should be relatively rare for an audit of an entity to need to transition after engagement acceptance or continuance (as mentioned in paragraph 131 of the EM). Moreover, there were suggestions to change the Authority so it will be less likely that transition to ISAs is needed.

- (c) *Reporting.* Respondents noted that guidance and clarity are needed around reporting when the auditing standard differs from one period to another (e.g., prior year the ISA for LCE and current year ISAs, or prior year ISAs and current year the ISA for LCE).
 - (d) *Opening balances.* Respondents noted that guidance and clarity are needed on what is expected (i.e., if any additional procedures would be required) on the opening balances when the previous year was based on the ISA for LCE, and the current year is based on ISAs.
 - (e) *Not clear what is required and too onerous.* Respondents noted that it is not clear what is required when transitioning to ISAs mid-engagement. Respondents also noted that the transition process would be too onerous.
 - (f) *Audit methodologies and audit tools.* Respondents noted there are challenges in switching audit methodologies and audit tools when there are different auditing standards.
 - (g) *Engagement letter.* Respondents noted that transition could cause legal risk to the auditor if the client refuses to accept the new engagement terms or create conflict with the client in terms of auditors' initial decision to use the ISA for LCE. It was also noted that the engagement letter should include the possibility of transitioning.
 - (h) *Differences between the ISA for LCE and ISAs.* Respondents noted that the differences between the ISA for LCE and ISAs need to be clear and understood by auditors in order to be able to transition easily between the standards.
53. The themes identified for the responses to question 13(b) "What support materials would assist in addressing these challenges?" are summarized below:
- (a) *Transitioning to ISAs mid-engagement.* Respondents noted that guidance would be useful when transition mid-engagement. Respondents suggested guidance related to:
 - (i) The Matters described in paragraph 139 of the EM.
 - (ii) Additional work required, including work related to both corresponding figures and comparative financial statements.
 - (iii) How the work performed using the ISA for LCE can be leveraged when transitioning to ISAs.
 - (b) *Reporting.* Respondents noted that when the underlying auditing standards have changed from one period to another, there needs to be a guidance around what the auditor's report should look like.
 - (c) *Difference between the ISA for LCE and ISAs.* Respondents noted that there needs to be guidance on the difference between the ISA for LCE and ISAs, including a mapping document comparing the differences.
 - (d) *Engagement letter.* Respondents noted that guidance on how to draft engagement letter for engagement using the ISA for LCE with the possibility to transition and when the transition is to occur.
54. There were also respondents that were of the view that support materials would not assist in addressing the challenges when transitioning to the ISAs.

The Task Force Views and Recommendations

Challenges for Transitioning to the ISAs

55. The ability to refer to the ISAs or create modules has been discussed at the June 2022 Board meeting, and it was decided that the ISA for LCE should be a stand-alone standard. Therefore, the Task Force is of the view that it is not appropriate to allow for the use of ISAs or to create modules.
56. However, the Task Force is of the view that the key concerns around the lack of flexibility to use ISAs and the Authority are now addressed, because:
- (a) Accounting estimates were commonly cited as the most common complexity that may occur mid-audit, and the requirements related to more complex accounting estimates have now been included in the ISA for LCE.
 - (b) The Authority has been clarified in relation to the qualitative characteristics of a typical LCE, including accommodating the possibility that a more complex accounting estimate(s) may be present, when not an ordinary occurrence in the circumstances of the entity (see Part A, paragraph A.3. of the proposed standard).

Given these changes, transition to ISAs mid-audit would be less likely with the above changes to the proposed standard.

Support Materials

57. In addition, acknowledging the respondents' comments, the Task Force is of the view that guidance is needed in the areas noted below:
- (a) *Transitioning to ISAs mid-engagement.* The Task Force is of the view that guidance outside the proposed standard, including the information in paragraph 139 of the EM, would be useful. The Task Force is of the view that this guidance is better located outside the proposed standard since it is difficult to describe the guidance succinctly while still being useful as EEM. However, the Task Force is of the view that the guidance should not be a “checklist” as the procedures to transition will vary and depend on the facts and circumstances of the audit engagement. In addition, the Task Force is of the view that providing examples of situations when it is necessary to transition from the ISA for LCE to ISAs may be helpful.
 - (b) *Reporting.* The Task Force considered situations where the financial statements included both corresponding figures and comparative financial statements and has the view that, it would not be necessary to require the auditor to include any additional information in the auditor's report (e.g., through a required Other Matter paragraph) where the prior period was audited under a different standard as:
 - (i) The auditor is required to obtain sufficient appropriate audit evidence on the comparative information in the current year by ISA 710,¹⁰ and the ISA for LCE, in order to determine if a material misstatement exists. For an initial audit engagement, the auditor would also need to perform work on the opening balances in accordance with ISA 510.¹¹ For comparative financial statements, these procedures enable the auditor to obtain

¹⁰ ISA 710, *Comparative Information – Corresponding Figures and Comparative Financial Statements*

¹¹ ISA 510, *Initial Audit Engagements – Opening Balances*

sufficient appropriate audit evidence to support the auditor's opinion over both periods presented.

- (ii) Both the ISAs and the ISA for LCE result in an audit providing reasonable assurance.

The Task Force note that this may be a matter that could be clarified in the Reporting Supplemental guide or other implementation material, and that that the auditor would not be precluded from including an Other Matter paragraph if they wished to.

- (c) *Differences between the ISA for LCE and ISAs.* The Task Force acknowledges respondents' need for understanding differences between the ISAs and the ISA for LCE and is of the view that guidance that explains the key differences between the ISA for LCE and ISAs by topic area would be appropriate to guide auditors in transition. The Task Force notes that a detailed list of "additional procedures" under ISA would not be appropriate as the proposed ISA for LCE does not just omit ISA requirements outright and include others "as is", but also adapts and modifies individual ISA requirements to be more proportionate to a typical LCE. (see also (a) above).
- (d) *Engagement letters.* The Task Force is of the view that guidance outside the proposed standard may be added to address respondents' comments. This guidance could highlight that it may be helpful for the auditor to make reference in the terms of the audit engagement to the possibility of transitioning to the ISAs (subject to relevant provisions in law or regulation). The relevant requirements for a change in the terms of the audit engagement are included in the ISA for LCE (ISA 210¹² paragraphs 16 and 17 are in **Agenda Item 4-B** Part 4, *Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements*, paragraphs 4.5.5 and 4.5.6).

Question 17 – Aspects of the Standard Challenging for Implementation

58. The Task Force analyzed the responses to question 17(c) in the EM which asked for views on any aspects of the standard that may cause challenges for implementation. Respondents feedback is presented in **Supplement 1-09**.
59. Respondents raised concerns in the following key areas:
- (a) *Authority and Scope.* General concerns that the Authority and scope of the proposed standard may be unclear, difficult to implement and result in transition to the ISAs during an engagement;
 - (b) *Stakeholder Needs.* Concerns that the standard may not meet the needs of stakeholders as it is not different enough from the ISAs;
 - (c) *User Perception.* Concerns relating to user perception that an audit performed using the ISA for LCE is a "lesser" or lower quality audit. To avoid this, they highlighted the importance of user education regarding the proposed standard;
 - (d) *Regulator Acceptance.* Concerns regarding regulator acceptance and understanding of the proposed standard; and
 - (e) *Multiple Templates/Methodologies.* Concerns regarding the need to create multiple sets of templates, methodologies and education programs for different standards.

¹² ISA 210, Agreeing the Terms of Audit Engagements

60. The Task Force noted that the above key areas, relate to more pervasive themes already discussed by the Board in previous board meetings, along with the Task Force's recommendations to address. A summary of the Task Force views are below.
- (a) *Authority and Scope*. See paragraph 56 above;
 - (b) *Stakeholder Needs*. In June 2022, this theme was previously discussed by the Board and formed the basis for the approach to further revisions to the standard in targeted areas;
 - (c) *User Perception*. As outlined in the [June 2022 Issues paper](#), the Task Force acknowledge this is an area that will need to be addressed through appropriate implementation and communication (working with IFAC, and other PAOs and Stakeholders as needed). The Task Force is of the view that a key objective of such communication would be to provide auditors, management, those charged with governance and users of financial statements with a better knowledge of the standard, what it includes and what it is aiming to achieve;
 - (d) *Regulator Acceptance*. The Task Force and IAASB Staff continue to perform outreach with regulators and consider their comments, and the general need for regulator acceptance when making revisions (including for example, the inclusion of the expectation to create quantitative thresholds in the Authority). The Task Force have the view that providing appropriate implementation guidance and communication will also help address these concerns; and
 - (e) *Multiple Templates/Methodologies*. As outlined in the [June 2022 Issues paper](#), the Task Force acknowledge that this may be seen as a barrier to widespread implementation by some stakeholders, but note that the multiple templates and methodologies is common today and that the standard is optional and not required by any one jurisdiction, audit firm or practitioner. The creation of implementation guidance and a summary of differences between the standards will assist in the creation or adaptation of templates, methodologies and education materials.
61. The Task Force is of the view that there are no additional changes needed to the standard to further address these matters, noting that some areas not related to content (e.g., implementation and adoption activities) will be discussed by the Board in September 2023.

Matters for Board Consideration

7. The Board is asked if they agree with the Task Force's recommendations to address the challenges on transitioning, including the proposed support materials in paragraph 57.

VII. Next Steps

62. In the July 2023 mid quarter Board call the Task Force will present to the Board the responses to the Exposure Draft relating to Part 10, *Audits of Group Financial Statements*, and related recommendations (including proposed revisions to Part 10) for discussion.
63. In September 2023, the Task Force will present to the Board for approval a full draft of the proposed ISA for LCE. In addition, the Task Force will present the responses to questions included in the EM that have not been previously discussed with the Board. See **Appendix 2**.
64. The Task Force will continue to consult with the LCE Reference Group and perform outreach with other stakeholders as relevant.

Appendix 1

Task Force Members and Activities

Task Force Members

1. The Task Force consists of the following members:
 - Kai Morten Hagen, IAASB Member and Task Force Chair
 - Julie Corden, IAASB Member
 - Chun Wee Chiew, IAASB Member
 - Sachiko Kai, IAASB Member
 - Vivienne Bauer, IAASB Technical Advisor
2. Further information and all posted documents relating to this project can be found [here](#).

Task Force Activities Since the March 2023 IAASB Meeting

3. The Task Force held one in-person meeting and two virtual meetings.

Outreach Since the March 2023 IAASB Meeting

4. The Task Force Chair and IAASB Staff attended the following outreach events or meetings in which the proposed ISA for LCE was discussed:
 - LCE Reference Group Meeting – a verbal debrief of the discussion will be provided during the June meeting.
 - IFAC's Small and Medium Practices Advisory Group meeting, Berlin – a verbal debrief of the discussion will be provided during the June meeting.
5. The proposed ISA for LCE was addressed in meetings with the following stakeholders in Q2 2023, as part of the general outreach program:
 - Presentation to The Edinburgh Group – New York, USA (Botha)
 - Presentation at the Forum of Firms, Audit Quality Event with Latin America and Caribbean Region members – Sao Paulo, Brazil (Botha).

Appendix 2

Reconciliation of ED-ISA for LCE Question Analysis

The below table presents a reconciliation of the questions provided to respondents of ED-ISA for LCE, along with the date of when a detailed analysis of comments was presented, or is expected to be presented to the Board for discussion.

Q#	Text of Question per Explanatory Memorandum (ED-ISA for LCE)	Detailed Analysis to Board
1	Views are sought on:	
1(a)	The standalone nature of the proposed standard, including detailing any areas of concern in applying the proposed standard, or possible obstacles that may impair this approach?	June 2022
1(b)	The title of the proposed standard.	June 2022
1(c)	Any other matters related to ED-ISA for LCE as discussed in this section (Section 4A).	June 2022
2	Do you agree with the proposed conforming amendments to the IAASB Preface? If not, why not, and what further changes may be needed?	June 2023
3	Views are sought on the Authority (or scope) of ED-ISA for LCE (Part A of the proposed standard). In particular:	
3(a)	Is the Authority as presented implementable? If not, why not?	June 2022
3(b)	Are there unintended consequences that could arise that the IAASB has not yet considered?	June 2022
3(c)	Are there specific areas within the Authority that are not clear?	June 2022
3(d)	Will the Authority, as set out, achieve the intended objective of appropriately informing stakeholders about the scoping of the proposed standard?	June 2022
3(e)	Is the proposed role of legislative or regulatory authorities or relevant local bodies with standard setting authority in individual jurisdictions clear and appropriate?	June 2022
4	Do you agree with the proposed limitations relating to the use of ED-ISA for LCE? If not, why and what changes (clarifications, additions or other amendments) need to be made? Please distinguish your response between the:	

Q#	Text of Question per Explanatory Memorandum (ED-ISA for LCE)	Detailed Analysis to Board
4(a)	Specific prohibitions	June 2022
4(b)	Qualitative characteristics.	June 2022
5	Regarding the Authority Supplemental Guide:	
5(a)	Is the guide helpful in understanding the Authority? If not, why not?	June 2022
5(b)	Are there other matters that should be included in the guide?	June 2022
6	Are there any other matters related to the Authority that the IAASB should consider as it progresses ED-ISA for LCE to finalization?	June 2022
7	Views are sought on the key principles used in developing ED-ISA for LCE as set in this Section 4C. Please structure your response as follows:	
7(a)	The approach to how the ISA requirements have been incorporated in the proposed standard.	June 2022
7(b)	The approach to the objectives of each Part of the proposed standard.	December 2022
7(c)	The principles in relation to professional skepticism and professional judgement, relevant ethical requirements and quality management.	March 2023 & June 2023
7(d)	The approach to EEM including: (i) The content of the EEM, including whether it serves the purpose for which it is intended. (ii) The sufficiency of EEM. (iii) The way the EEM has been presented within the proposed standard.	December 2022
8	Please provide your views on the overall design and structure of ED-ISA for LCE., including where relevant, on the application of the drafting principles	June 2022
9	Please provide your views on the content of each of Parts 1 through 8 of ED-ISA for LCE, including the completeness of each part. In responding to this question, please distinguish your comments by using a subheading for each of the Parts of the proposed standard.	March 2023 & June 2023

Q#	Text of Question per Explanatory Memorandum (ED-ISA for LCE)	Detailed Analysis to Board
10	For Part 9, do you agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements, including:	
10(a)	The presentation, content and completeness of Part 9.	June 2023
10(b)	The approach to include a specified format and content of an unmodified auditor's report as a requirement?	June 2023
10(c)	The approach to providing example auditor's reports in the Reporting Supplemental Guide.	June 2023
11	With regard to the Reporting Supplemental Guide:	
11(a)	Is the support material helpful, and if not, why not?	June 2023
11(b)	Are there any other matters that should be included in relation to reporting?	June 2023
12	Are there any areas within Parts 1–9 of the proposed standard where, in your view, the standard can be improved? If so, provide your reasons and describe any such improvements. It will be helpful if you clearly indicate the specific Part(s) which your comments relate to.	Mapped to other Qs.
13	Please provide your views on transitioning:	
13(a)	Are there any aspects of the proposed standard, further to what has been described above, that may create challenges for transitioning to the ISAs?	June 2023
13(b)	What support materials would assist in addressing these challenges?	June 2023
14	Do you agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance?	September 2023
15	For any subsequent revisions to the standard once effective, should early adoption be allowed? If not, why not?	September 2023
16	Should a separate Part on the ISA-800 series be included within ED-ISA for LCE? Please provide reasons for your response.	March 2023
17	In your view, would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion and for which the proposed standard has been developed? If not, why not. Please structure your comments to this question as follows:	

Q#	Text of Question per Explanatory Memorandum (ED-ISA for LCE)	Detailed Analysis to Board
17(a)	Whether the proposed standard can, and will, be used in your jurisdiction.	June 2022
17(b)	Whether the proposed standard meets the needs of auditors, audited entities, users of audited financial statements and other stakeholders.	June 2022
17(c)	Whether there are aspects of the proposed standard that may create challenges for implementation (if so, how such challenges may be addressed).	June 2023
18	Are there any other matters related to ED-ISA for LCE that the IAASB should consider as it progresses the proposed standard to finalization?	Mapped to other Qs.
19	What support and guidance would be useful when implementing the proposed standard?	September 2023
20	Translations—recognizing that many respondents may intend to translate the final ISA for LCE in their own environments, the IAASB welcomes comment on potential translation issues noted in reviewing ED-ISA for LCE.	Mapped to other Qs.
21	Effective Date—Recognizing ISA for LCE is a new standard, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning at least 18 months after the approval of a final standard. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA for LCE.	September 2023
22	The IAASB is looking for views on whether group audits should be excluded from (or included in) the scope of ED-ISA for LCE. Please provide reasons for your answer.	June 2022
23	Respondents in public practice are asked to share information about the impact of excluding group audits from the scope of ED-ISA for LCE on the use of the proposed standard. In particular:	
23(a)	Would you use the standard if group audits are excluded? If not, why not?	June 2022
23(b)	Approximately what % of the audits within your firm or practice would be group audits that would likely be able to use ED-ISA for LCE (i.e., because it is likely that such group audits could be considered less complex entities for the purpose of the proposed standard) except for the specific exclusion?	June 2022

Q#	Text of Question per Explanatory Memorandum (ED-ISA for LCE)	Detailed Analysis to Board
23(c)	What common examples of group structures and circumstances within your practice would be considered a less complex group.	June 2022
24	<p>If group audits are to be included in the scope of ED-ISA for LCE, the IAASB is looking for views about how should be done (please provide reasons for your preferred option):</p> <p>(a) The IAASB establishes a proxy(ies) for complexity for when the proposed standard may be used (“Option 1 - see paragraph 169); or</p> <p>(b) ED-ISA for LCE sets out qualitative characteristics for complexity specific to groups (Option 2 - see paragraph 176), to help users of the proposed standard to determine themselves whether a group would meet the complexity threshold.</p>	June 2022
25	Are there other ways that group audits could be incorporated into the scope of the proposed standard that is not reflected in the alternatives described above? For example, are there proxies for complexity other than what is presented in paragraph 169 that the IAASB should consider?	June 2022
26	<p>If group audits are included in ED-ISA for LCE, how should the relevant requirements be presented within the proposed standard (please provide reasons for your preferred option):</p> <p>(a) Presenting all requirements pertaining to group audits in a separate Part; or</p> <p>(b) Presenting the requirements pertaining to group audits within each relevant Part.</p>	June 2022