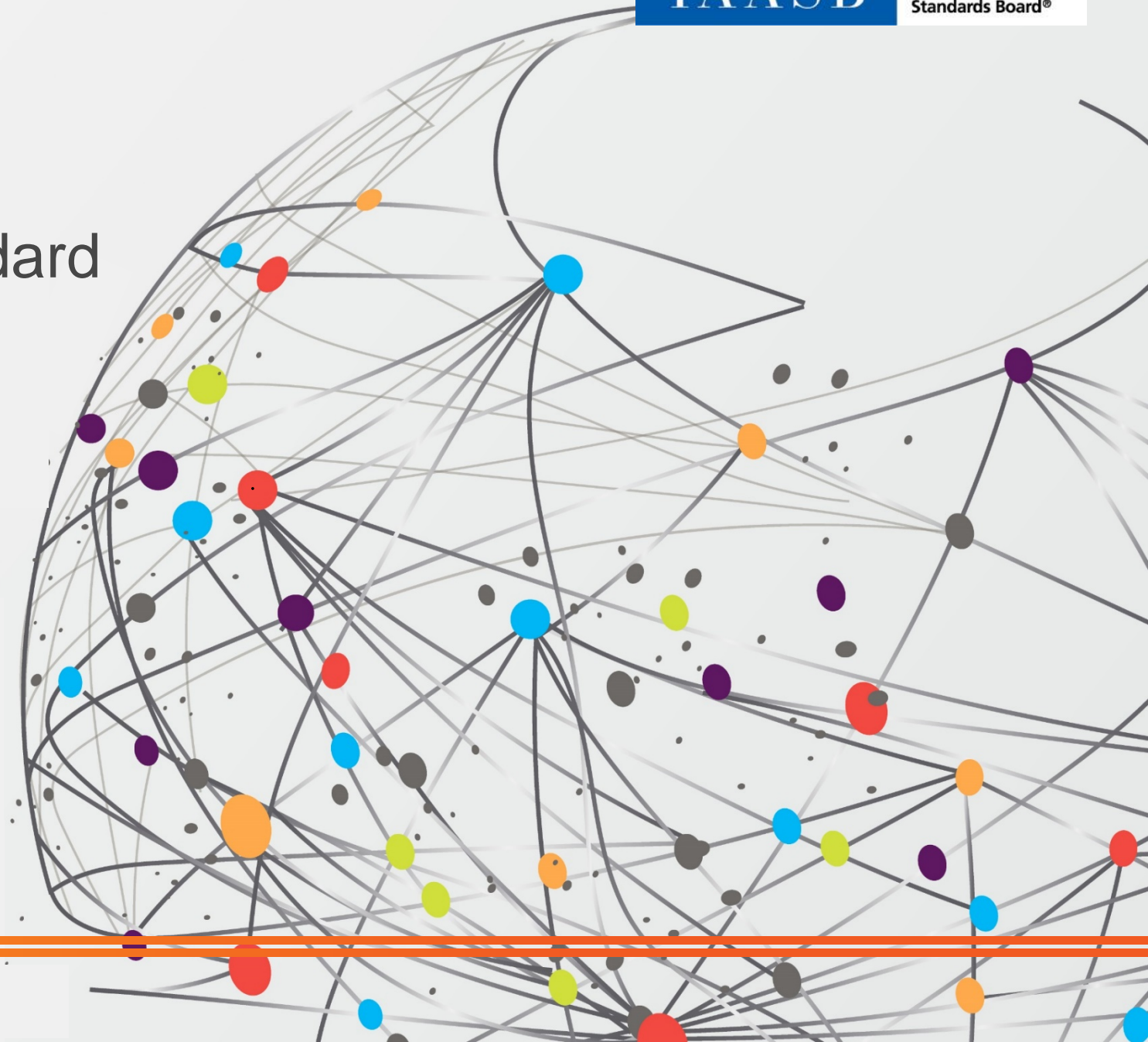


Audits of Less Complex Entities: Separate Standard

Presented by:
Kai Morten Hagen
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



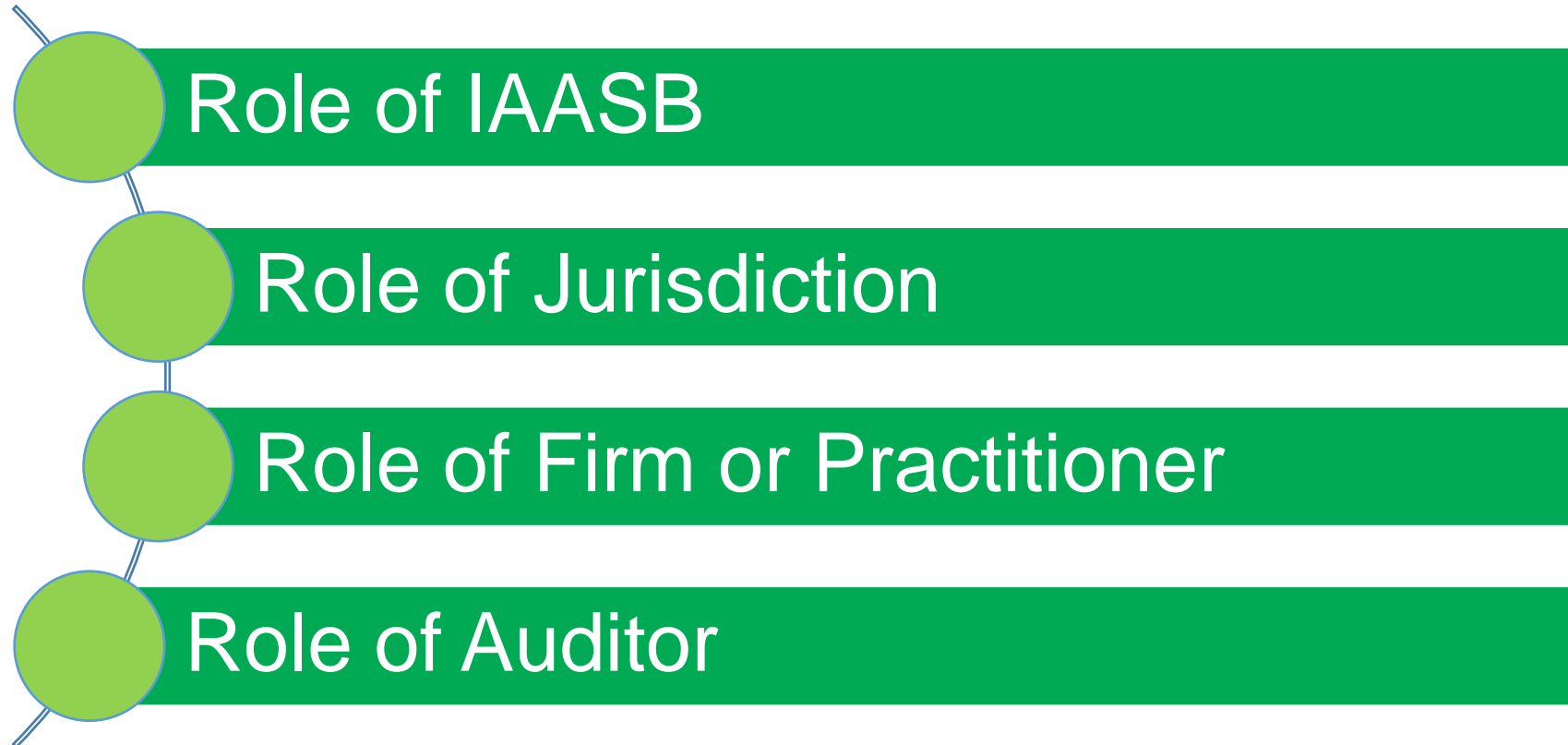
Authority

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Refining the Authority



Authority of the Standard

IAASB: ISA for LCE

EXCLUSIONS DESIGNED FOR GLOBAL USE:

- X Restricted by Laws or Regulation
- X Group Audits

- X Listed Entities
- X Specific "PIE Categories"*

Local Jurisdiction

EXCLUSIONS AND REFINEMENT APPROPRIATE FOR LOCAL USE:

- Further restrict use of the standard
- Refinement of restrictions based on local jurisdiction
- Additional factors or quantitative thresholds

Firm

CONSIDERATIONS AT FIRM LEVEL:

- Internal policies or procedures for use of the standard
- Further restrictions (cannot change jurisdictional restrictions)

Auditor

EVALUATION AT ENGAGEMENT LEVEL:

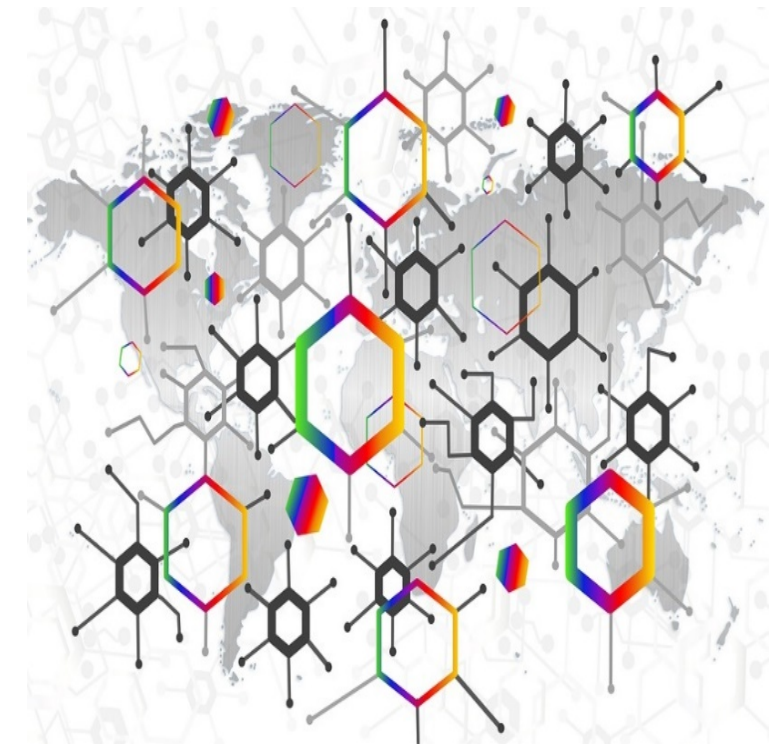
- Client Acceptance or Continuance
- Stand back

***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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