

# Audits of Less Complex Entities

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# Journey until now

## NORDIC STANDARD FOR AUDITS OF SMALL ENTITIES

JUNE 2015 - CONSULTATION



DISCUSSION PAPER  
COMMENTS DUE: SEPTEMBER 12, 2019

Audits of Less Complex Entities:  
Exploring Possible Options to Address  
the Challenges in Applying the ISAs

IAASB International Auditing and Assurance Standards Board



| Sid

Exposure Draft  
July 2021  
Comments due: January 31, 2022

*International Standard on Auditing*

Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)

# What is the Aim?

## A Global Solution for Audits of Less Complex Entities

### EXPOSURE DRAFT, PROPOSED INTERNATIONAL STANDARD ON AUDITING OF FINANCIAL STATEMENTS OF LESS COMPLEX ENTITIES

IAASB  
Jul 23, 2021 | Exposure Drafts and Consultation Papers  
English  
Comments due by: Jan 31, 2022

[SUBMIT COMMENT](#)

Smaller, less complex entities play a vital role in the world's economy. In an increasingly complex world with evolving reporting needs, a need for a set of high-quality requirements tailored for the audits of less complex entities has emerged. With this consultation, the IAASB is moving to provide a globally consistent approach at a time where a number of jurisdictional-specific less complex entity standards are emerging, which is not in the public interest.

The IAASB strongly encourages all interested stakeholders to provide their feedback by **January 31, 2022**. The standard is relevant to users of financial statements, owners, management and those charged with governance of entities, preparers of financial statements, legislative or regulatory authorities, relevant local bodies with standard-setting authority, professional accountancy organizations, academics, regulators and audit oversight bodies, and auditors and audit firms, among others.

Stakeholders can submit responses using the "Submit Comment" button.

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# LCE Standard builds on our Strategic Objectives



Developed on an Accelerated Basis



Commitment to a more Agile Approach



Utilized an International Reference Group for real-time feedback



Innovative thinking – Design & Approach

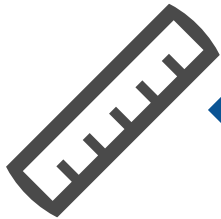
# LCE Audits will be High Quality Audits



Separate standalone Standard developed for Audits of Less Complex Entities (LCE)



Designed to achieve Reasonable Assurance



Proportionate to circumstances of an Audit of an LCE

# When can it be used?

- Specific Prohibitions
  - Listed Companies
  - Classes of Entities with Public Interest Characteristics\*
  - Audits of Group Financial Statements
  - Additional Jurisdictional Limitations
- Firm Policies or Procedures
- Engagement Level Evaluation
- Consideration of **Qualitative Characteristics**



*\*Descriptions of classes may be modified in local jurisdiction*

# Authority of the Standard

## ISA for LCE: Specific Prohibitions

Is the audit:

- × Of a listed entity
- × In a jurisdiction which prohibits use of the standard
- × Of an entity with “public interest characteristics” (para A.7(c))\*
- × A group audit

*\*Descriptions of classes may be modified in local jurisdiction*

## Jurisdiction Level Limitations

Is the audit:

- × Of an entity in a class of entity prohibited in jurisdiction to use the standard
- × Outside any other qualitative criteria and quantitative thresholds established within jurisdiction

## Firm Policies or Procedures

Is the audit:

- × Prohibited from using the standard under firm policies or procedures?

## Engagement Level Evaluation

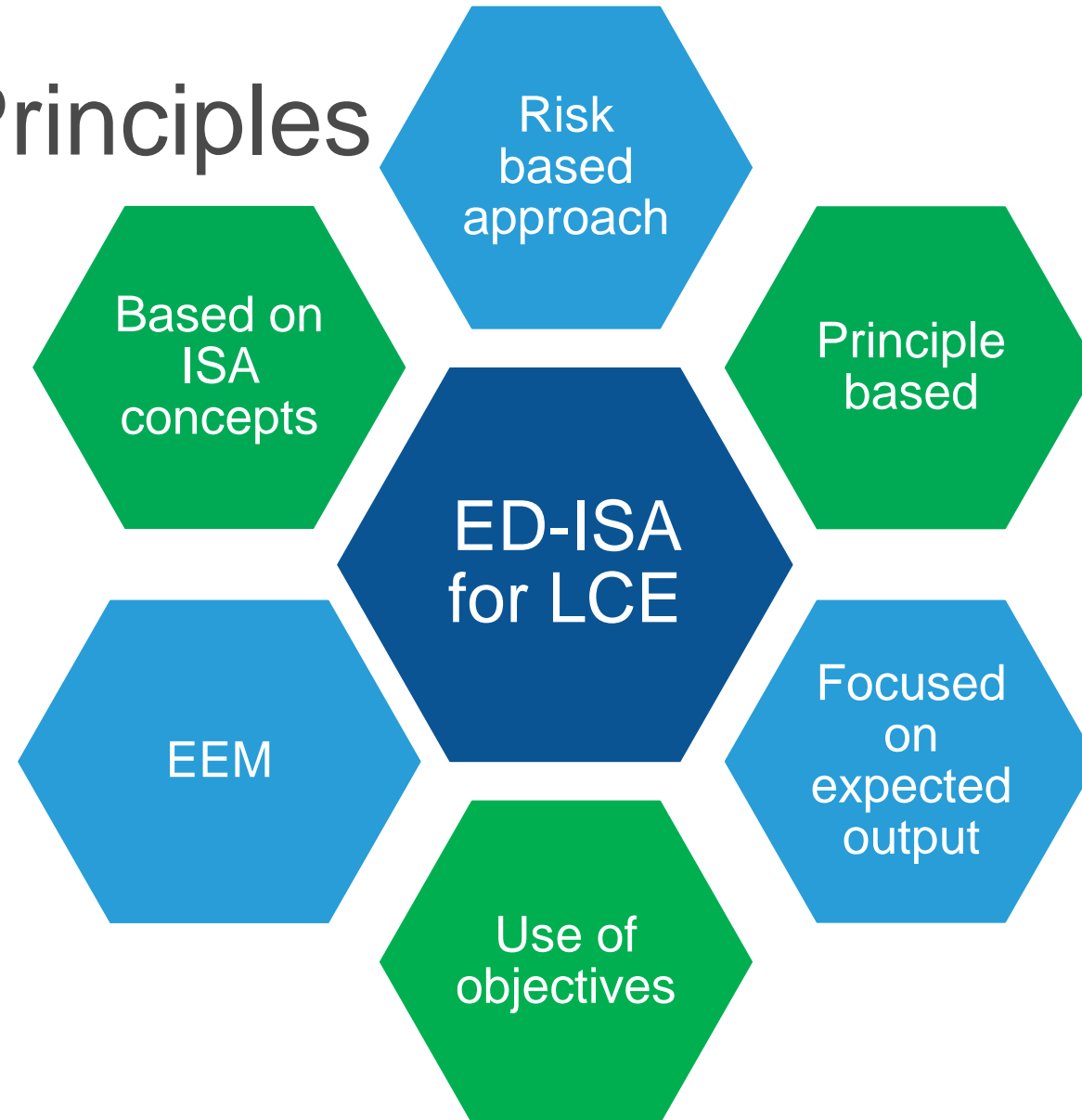
Does the audit:

- × Exhibit qualitative characteristics that would make the standard inappropriate to use?

May use ISA for LCE

Cannot use ISA for LCE

# Design Principles





# The Flow of the Standard



**Part 1:**  
Fundamental  
Concepts and  
General P



**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

# Key Areas for Feedback



The Content, Flow and Structure of the Standard



The Authority and Scope of the Standard



Exclusion of Procedures for Audits of Group Financial Statements



Transition and Implementation Guidance



Maintenance of the Standard (Stable Platform?)

# Further Resources & Information

- ◆ Supplemental Guidance: Authority of the Standard
- ◆ Supplemental Guidance: Auditor Reporting
- ◆ Mapping Documents: ISA to ISA for LCE
- ◆ Translation of ED & Guides: French & Spanish
- ◆ Outreach Plan
- ◆ Overview Videos: [English](#) [French](#) [Spanish](#)
- ◆ Optional Response Template
- ◆ Survey

IAASB LCE web page: [iaasb.org/less-complex-entities](https://iaasb.org/less-complex-entities)

The image displays four IAASB document thumbnails arranged in a 2x2 grid. Each thumbnail includes the IAASB logo and a 'Download PDF' button with the file size.

- Top Left:** Exposure Draft July 2021, Authority of the Standard (2.4 MB). Title: International Standard on Auditing Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE).
- Top Right:** Proposed Supplemental Guidance for Audits of Financial Statements of Less Complex Entities (532K). Includes a 'Pages' section with numbered items.
- Bottom Left:** Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (300K). Includes a 'History of Terms' section.
- Bottom Right:** Optional Response Template Proposed ISA for LCE (52K). Includes a 'Name of Respondent' field and a 'Download PDF' button.

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