

IFAC-IAASB-CAPA/SAFA roundtable - Proposed Standard for Audits of Less Complex Entities (LCE)

Smaller, less complex entities (LCEs) make crucial contributions to the world economy and account for the great majority of entities globally. At the same time, increasingly complex structures and transactions need to be addressed in the International Standards on Auditing (ISAs). This complexity in the ISAs can pose challenges for audits of less complex entities.

Based on the feedback from a discussion paper and outreach, the IAASB has developed a draft standard that is proportionate to the typical nature and circumstance of an audit of a less complex entity and is responsive to those stakeholders' challenges and is a global solution. The public consultation on this draft new standard is open until January 31, 2022.

This roundtable is jointly organized by IFAC, the IAASB and with IFAC's Network Partners, the Confederation of Asian and Pacific Accountants (CAPA) and the South Asian Federation of Accountants (SAFA) to promote greater awareness and understanding of the public consultation and to provide an opportunity for members and stakeholders of CAPA and SAFA to provide their views to the consultation.

Details

<i>Date</i>	Friday 12 November 2021
<i>Time</i>	Kuala Lumpur (12:00-14:15) / New Delhi (9:30-11:45) / Sydney (15:00-17:15) / Suva (16:00-18:15) / London (5:00-7:15) / New York (23:00-1:15)
<i>Platform</i>	Zoom Webinar hosted by IFAC

Roundtable Structure

DURATION	AGENDA	PRESENTER
5 minutes	Housekeeping	IFAC Staff
5 minutes	Welcome Remarks	CAPA
15 minutes	Overview of the LCE standards	IAASB Representative
105 minutes	Roundtable and Discussion	IAASB Representative and Panelists
5 minutes	Summary and Next Steps	IAASB Representative
2 hours 15 minutes		

Instructions to Invitees to the Roundtable

- Each of the CAPA and SAFA members (PAOs focus on auditing) are requested to send **one** representative as the spokesperson. This event will be conducted in English, and we would appreciate a representative who can communicate clearly in English
- Similar roundtables are being held in other regions. This roundtable is focused on seeking feedback from stakeholders in the Asia and Oceania/Pacific region. CAPA Affiliate members, and members in North America, are welcome to observe, however, are not necessarily expected due to the time chosen for the roundtable. Similarly, certain members not involved in public auditing may choose not to attend or to observe.
- The representative can be a staff member from the PAO or another representative (e.g., member of the PAO, especially a practitioner who will be using the separate LCE standard; National Standard Setter; regulator; or from academia)
- Apart from this representative, anyone interested in the LCE standards are invited to observe the roundtable discussion. In the zoom webinar platform, representatives will attend as panelists and will be able to speak, and observers will attend as guests.
- As there will only be one representative nominated by each PAO, the PAO should gather views from other interested parties and stakeholders from their jurisdictions ahead of the roundtable, to share a wider range of perspectives. These parties may include the following:
 - o **Users of LCE Financial Statements** (e.g., Banks, Company Registrars, Taxation Authorities) – to understand if the proposed standard will serve the purpose for which the audit is being performed.
 - o **National Standard Setters, Legislative or Regulatory Authorities, or other bodies, with Standard-Setting Authority** – to understand if use of the proposed standard will be allowed, and if the role of such bodies is clear and appropriate.
 - o **Firms & Practitioners that serve LCEs** – to understand if the proposed standard can be effectively used for audits of LCEs, and if the role of the auditor and Firm is clear and appropriate.
 - o **Regulatory and Audit Oversight Bodies** – to understand any feedback or concerns relevant to the body's role.
 - o **Professional Accountancy Organizations** – to understand any feedback or concerns relevant to the organization's membership base and jurisdiction.
 - o **Public Sector Bodies & Auditors** – to understand if the proposed standard can be used for, and meets the needs of, less complex public sector entities.
 - o **Management, Those Charged with Governance, and Preparers of Financial Statements of LCEs** – to understand if the proposed standard will meet the expectations of those with responsibility for preparing financial statements and agreeing the terms of engagement with the auditor.
 - o **Academia** – to understand the viewpoints from academics and academic organizations.
- While key points from the roundtable discussion will be provided to IAASB and IFAC, members of CAPA and SAFA (and any other parties) are strongly encouraged to either submit a formal response letter to the consultation or make use of the IAASB LCE survey platform to provide views on key areas of deliberation.

Questions

- The intention is to discuss the questions by 'section'
- Note that 105 minutes have been allocated to the roundtable discussion, with roughly 25 minutes reserved for each section of the set of questions, including the poll questions
- Participants are not expected to respond to every single question in each section
- All participants are encouraged to be as concise as possible in your sharing, with each speaking no more than 3 minutes, to allow as many participants as possible to speak

Section I: The Design and Structure

1. **What are your views on the structure, flow and overall design of the ED-ISA for LCE?**
What do you like about the ED-ISA for LCE? Any key changes you would like to see in terms of structure, flow and overall design, and why?
2. ED-ISA for LCE is **intended to operate as a standalone standard** (i.e., all the relevant requirements and explanatory material is contained within ED-ISA for LCE; there is no reference to the ISAs for matters and circumstances not intended to be addressed in ED-ISA for LCE). Do you agree with this approach?

Poll question:

- Do you agree that ED-ISA for LCE should operate as a standalone standard?
[Yes/No/Unsure]

Section II: Content

1. What are your **views on the content of ED-ISA for LCE**? Are there any areas missing from the proposed standard for a typical LCE audit, or are there areas included but should be removed or modified? If so, what and why?
2. What are your **views on the exclusion of audits of group financial statements** (group audits) from the scope of the draft standard?
 - a. Explain your support or objection.
 - b. If the draft standard was to include certain requirements for group audits, how should the IAASB determine which requirements to be incorporated (and associated with that, where to draw the line to separate group audits that should be allowed to use the ED-ISA for LCE and those that should not)? (e.g. allow judgement to be made by the practitioner on complexity of the group based on qualitative characteristics? Or establishing a quantitative threshold as a proxy for complexity, and if so how? Or only allow group audits that do not involve component auditors?)
3. What are your **views on the approach used for essential explanatory material (EEM)**? Considering the need to keep the standard succinct, are there any broad areas where more is needed?

Poll questions:

- Do you support the exclusion of audits of group financial statements from the scope of ED-ISA for LCE? [Yes/No/Unsure]
- Do you support the approach used for EEM? [Yes/No/Unsure]

Section III: Authority

1. The Authority of the ED-ISA for LCE is intended to inform stakeholders of the scope of the draft standard (i.e., what is in and what is not). In your view, does the Authority in Part A of ED-ISA for LCE achieve this in a clear enough fashion? If not, how can it be improved?
2. Do you agree that the specific prohibitions for use of ED-ISA for LCE (e.g., listed entities, entities with public interest characteristics etc.,) are appropriate?
3. **Do the qualitative characteristics set out in ED-ISA for LCE appropriately describe a typical LCE?** If not, what is missing or what changes are needed?
4. *[For regulators, audit oversight bodies or bodies with standard setting authority]* Is the proposed role of legislative or regulatory authorities or relevant local bodies with standard setting authority in individual jurisdictions clear and appropriate? If not, why not?
5. *[For Firms/Practitioners/PAO Representatives]* What challenges do you think a firm or individual engagement team may face when trying to decide whether the standard is appropriate for use?

Poll question:

- Do the qualitative characteristics set out in ED-ISA for LCE appropriately describe a typical LCE? [Yes/No/Unsure]

Section IV: General

1. Does the ED-ISA for LCE meet the needs of users of financial statements of LCEs (banks, company registrars, tax authority)? If not, why not?
2. Do you think the ISA for LCE, based on what you see in the draft under consultation, will be adopted for use in your jurisdiction? If not, why not?
3. What are your views on future updates and maintenance of the draft standard when it is finalized and released (possible approaches: Amendments to ED-ISA for LCE are proposed as and when ISAs are revised/ issues are identified? Amendments are accumulated and updated based on a pre-defined regular schedule e.g. 3 years?)
4. What implementation challenges may arise in your view, and is there support and guidance that would be useful when implementing the proposed standard?
5. What other key feedback would you like to share?

Poll question:

- Do you believe that ISA for LCE will be adopted for use in your jurisdiction? [Yes/No/Unsure]

Resources

- Please Visit iaasb.org/less-complex-entities
(Includes the Exposure Draft, supplementary guidance, mapping document (ISA to proposed standard for LCE), overview video, recording from LinkedIn 'Live')

Suggested Prework

- Review the Exposure Draft and where relevant, accompanying Supplemental Guides
- View introductory video (available in English, French and Spanish)
- Review the questions above that will be discussed
- Perform outreach within jurisdiction