

IAASB Audits of LCEs Conference Key Takeaways

At the beginning of May 2022, the International Auditing and Assurance Standards Board held the third and final Paris conference in collaboration with the Compagnie Nationale des Commissaires aux Comptes (CNCC) and Conseil Supérieur de l'Ordre des Experts-Comptables (CNOEC) to discuss and explore how to move forward in progressing the separate standard for audits of the financial statements of LCEs. The event produced great discussions on the feedback to the IAASB Exposure Draft, *Proposed International Standards on Auditing for Audits of Financial Statements of Less Complex Entities* (ED-ISA for LCE), and possible options for moving forward. Over 130 people from more than 30 countries joined the conference either in person in Paris or virtually.

Our **key takeaways** from the discussions include:

- Participants stressed a **strong global need for a separate focused standard** for audits of the financial statements of LCEs. Conference participants continue to be enthusiastic and support finalizing the project. There was a strong message that the standard is particularly needed in developing nations to promote economic development in those economies, as well as the development and sustainability of the profession throughout the world. Setting auditing standards in the public interest covers the entire spectrum of the economy, including those entities that are the focus of the LCE project.
- The IAASB was encouraged to **focus on the public interest objectives of the project** in delivering a standard to meet stakeholder needs.
- The **timing is critical**—the IAASB was encouraged to proceed as quickly as possible.



- Key to the project is **describing what an “LCE” is for the purpose of the standard**. This will provide a common understanding about the purpose of the standard, lead to a tighter **scope, and guide adjustments to the draft standard**.
- **National standard setters play a key role** in making the standard and its application workable for the context of each jurisdiction.
- If quantitative criteria are considered as part of the authority **individual jurisdictions should establish those quantitative criteria** for that jurisdiction. Participants suggested that guidance could be developed to help those jurisdictions who do not have any thresholds to use as a reference to establish such criteria. Although recognizing that quantitative criteria cannot be set at a global level, it was acknowledged that such criteria would help narrow the scope.
- The IAASB should **maintain a standalone standard** with all the necessary requirements to achieve reasonable assurance within the standard.
- The IAASB should further simplify elements of the standard to make the **required procedures more proportionate for an audit of an LCE**. While no participants called for a fundamental rewrite of the draft standard, participants called for targeted changes in the areas of documentation, communication, risk assessment (including internal control) and accounting estimates.
- **Audits of group financial statements should be included** using a similar approach of determining whether a group is considered to be “less complex.”
- **Supporting guidance is needed** to implement the standard—also considering how an electronic format of the standard could help with implementation materials.
- **Communication about the standard is key** to a proper understanding of what the standard is, and is not, and how it helps serve the public interest. It was highlighted that all participants in the financial reporting ecosystem play an important role in this communication.

