



AUASB Survey: Audits of Less Complex Entities

Background

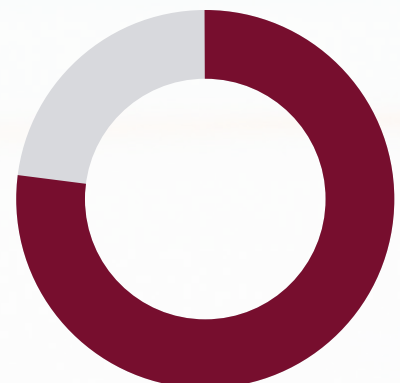
The International Auditing and Assurance Standards Board (IAASB) published a Discussion Paper, **Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the International Standards on Auditing (ISAs)** seeking to further understand the challenges of using the ISAs in audits of less complex entities.

To gather evidence from Australian auditors for this project, the AUASB conducted a survey of stakeholders to obtain views on the key challenges they face on audits of LCEs and the proposed solutions to respond to the challenges.

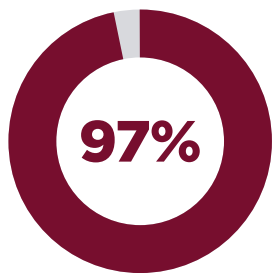
Who responded?

The AUASB received **145 responses**. **111 were practitioners** with 32 (22%) from large global or national networks and 67 (46%) from a regional firm or sole practitioners. Approximately 24% of practitioners had a client base where more than 90% of the engagements would be considered as a Less Complex Entities. Other stakeholders who responded (23%) included those charged with governance, academics, regulators and financial statement users.

● AUDITORS
● OTHERS

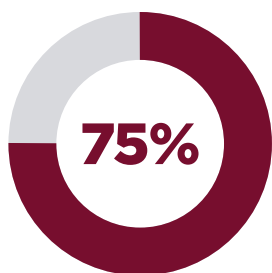


Key actions for standard-setters

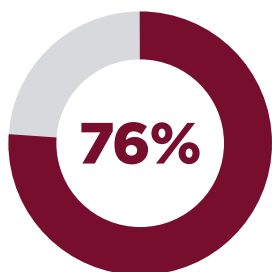


97% of respondents rated **developing guidance** for audits of LCEs as highly important.

- The preferred form of guidance was **an enhanced comprehensive guide** on applying auditing standards for audits of less complex entities (45%).



75% of respondents rated **revising the auditing standards** as highly important.



76% of respondents rated **developing a separate standard** for LCEs as highly important.



Most difficult auditing standards

35% of respondents viewed **ISA 315** as the most difficult standard to apply, followed by the ISAs in the 500 series (25%), in particular **ISA 540**.

15% of respondents raised that **increasing complexity in accounting standards** contributes to auditors' difficulties in satisfying auditing standards.

If you have any questions about this project contact: enquiries@auasb.gov.au

Thank you for your participation in this AUASB Survey!

Definition of an LCE

52% of respondents preferred a principles-based definition

33% of respondents preferred splitting entities between public interest and non-public interest

15% of respondents preferred using size-related thresholds

Top challenges with auditing standards for LCE audits

- Requirements which result in procedures being **performed solely to comply** with auditing standard requirements with no additional assurance or measurable increase in audit quality (90%);
- There is a lack of clarity and **different interpretations** as to what, and how, certain matters are documented (84%);
- There is insufficient application or inadequate application material in the auditing standards addressing **scalability** and proportionality considerations (84%);
- Documentation requirements are extensive and onerous (83%);
- There is a lack of separate **implementation support/guidance** in respect of the application of the auditing to the audit of LCEs (83%).

AUASB Way Forward

A comment letter was submitted by the AUASB to the IAASB's Discussion Paper in September 2019. View the [comment letter here](#)

Whilst a key milestone of the project was to respond to the IAASB's Discussion Paper, the AUASB will also be discussing at its December 2019 AUASB Meeting what can be done to support Australian auditors of LCEs whilst the IAASB continues to explore global solutions.

The AUASB discussion in December will be focussed on key areas identified in this survey.

