



# AUASB Board Meeting Summary Paper

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**AGENDA ITEM NO.**        **5.3.1**

**Meeting Date:**            11 September 2019

**Subject:**                    Less Complex Entities

**Prepared By:**             Tim Austin

**Date Prepared:**          3 September 2019

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**Action Required**

**For Information Purposes Only**

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## Agenda Item Objectives

1. The Less Complex Entities Agenda Item has been broken down into two distinct parts each with their own objective.
  - (a) Part A – Focuses on the AUASB Submission to the IAASB Discussion Paper. The overall objective of this part is to obtain on the AUASB’s submission; and
  - (b) Part B – Focuses on activities that the AUASB could undertake to support auditors of *Less Complex Entities*. The overall objective of this part is to facilitate a discussion amongst AUASB Members and begin to develop a way forward leading to a formal AUASB LCE Action Plan.

## Background

1. In April 2019, the IAASB released for public comment a Discussion Paper on audits of less complex entities, *Exploring Possible Options to Address the Challenges in Applying the ISAs*. The Discussion Paper asks for responses to five question and aims to further understand the challenges of using ISAs in audits of Less Complex Entities – and views about possible actions to address these challenges.
2. To gather Australian stakeholder feedback to prepare the AUASB’s response to the IAASB Discussion Paper, the AUASB Technical Group released a survey and conducted a number of activities to promote the survey and the importance of driving the discussion at the IAASB level.
3. The main activities to promote the survey and encourage submissions to the AUASB were:
  - (a) Promotion of the Discussion Paper and AUASB Survey at the CA ANZ Conferences;
  - (b) Articles prepared for CA Perspective and CPA InPractice;
  - (c) LinkedIn and Twitter;

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- (d) CPA, CA ANZ, ACNC and CaseWare Newsletters.
- (e) Direct emails to Emerging Issues Group (EIG), Large National Networks (LNN) Group and AFAANZ Auditing and Assurance Special Interest Group (AASIG).
- (f) Presentations to relevant groups (e.g. CA ANZ Trans-Tasman Audit Advisory Committee, CA ANZ Audit Conference).
- (g) Direct email sent to all ASX auditors and auditors of large charities.

## **Matters to Consider**

### ***Part A – AUASB Submission on IAASB Discussion Paper***

4. The AUASB is presented with the Draft AUASB Submission to the IAASB on the LCE Discussion Paper (**Agenda Item 5.3.2**). The submission has been prepared combining ATG views discussed with the AUASB LCE Subject Matter Experts, responses to the AUASB’s LCE survey and comment letters submitted directly to the AUASB.
5. An overview of the feedback received has been included as **Agenda Item 5.3.3**. At a high level, the feedback the AUASB received is composed of:
  - (a) 145 responses to the AUASB LCE Survey;
    - (i) 77% auditors; and
    - (ii) 23% other stakeholders (those charged with governance, academics, regulators, financial statement users).
  - (b) 4 comment letters received/other formal communication:
    - (i) KPMG Australia (**Agenda Item 5.3.4**);
    - (ii) Pitcher Partners (**Agenda Item 5.3.5**);
    - (iii) The University of Adelaide (**Agenda Item 5.3.6**); and
    - (iv) The Australian Charities and Not-for-Profits Commission.
6. The AUASB is asked to provide feedback on the following matters for comment in relation to **Part A** of this Agenda Item:

#### **Questions**

1. Does the AUASB agree with the presentation of the AUASB’s submission. I.e. combination of feedback from stakeholders and AUASB views with survey results shown separately?
2. Do AUASB Members agree with the responses to the IAASB’s questions in the AUASB’s submission?
3. Are there any other matters that AUASB Members would like included as part of the AUASB’s submission?

## ***Part B – Supporting Australian Auditors of LCEs***

7. Whilst the submission to the Discussion Paper is an important step in the LCE project, it is only one part. The volume of feedback expected to be received and the different directions that stakeholders across the globe will want based on their interests and needs will likely result in a long-tailed project for the IAASB.
8. A global response is the preferred option, and the AUASB and ATG will continue to support the development of global solutions to this issue. However, in consultation with the AUASB Chair, the ATG consider that an Australian approach to supporting auditors of LCEs needs to be formulated to fill the gap between now and when a global solution is determined and implemented.
9. By developing an Australian specific survey, the AUASB has been able to importantly gather feedback to develop the AUASB's LCE submission but also develop an initial list of challenges that Australian LCE auditors are experiencing.
10. The ATG has outlined a number of these challenges and presented initial thoughts on how these challenges could be responded to in Australia for discussion the AUASB. An overview of the initial thinking is presented as **Agenda Item 5.3.7**. This paper has been prepared in consultation with the assistance of the AUASB Subject Matter Expert.
11. The AUASB is asked to provide feedback to the questions in **Agenda Item 5.3.7**.

### **Material Presented**

Agenda Item 5.3.1	AUASB BMSP Less Complex Entities
Agenda Item 5.3.2	Draft AUASB Submission on LCE Discussion Paper
Agenda Item 5.3.3	Summary of LCE Feedback
Agenda Item 5.3.4	Submission – KPMG Australia
Agenda Item 5.3.5	Submission – Pitcher Partners
Agenda Item 5.3.6	Submission – The University of Adelaide
Agenda Item 5.3.7	Less Complex Entities – Taking the Project Forward in Australia

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