

# Less Complex Entities

## Summary of feedback on proposed auditing standard

**Over the past three months, the XRB have engaged with audit practitioners, as well as preparers and users of the financial statements to gather their views on the proposed standard. From what we have heard, the idea of a separate standalone standard to assist auditors in auditing Less Complex Entities (LCEs) was broadly supported by audit practitioners in New Zealand. Nonetheless, there were concerns raised over certain aspects of the standard.**

### Support from small audit firms and sole practitioners

Small audit firms and sole practitioners noted that the proposed standard highlights that this is the right audit for entities that are less complex and would be particularly useful for them given the nature of their clients, which are largely less complex in nature.

Stakeholders also felt the condensed materials and structure of the standard, which follows the flow of an audit, enhances readability, and allows auditors to focus on the relevant requirements for an LCE audit.

### Concerns raised

There were concerns that as a standalone standard it might signal that an LCE audit is less than a full ISA audit or imply a two-tier auditing environment. Further given both LCE standard and full ISA standard provides the same level of assurance, there may be reluctance in the market to use LCE standard or potential to increase the expectation gap.

The judgements involved in determining if an entity is an LCE, may create inconsistency in practice where different auditors may arrive at a different conclusion as to whether the same

entity could qualify as an LCE.

Most stakeholders expressed concerns about excluding group audits from applying the proposed standard. The proposed standard also requires auditors to transition from using an LCE standard, to the full ISA standard if there are complex matters raised through the audit process. The exclusion of groups that are less complex and the rigidity of the transition provision would limit the usability and applicability of the proposed standard.

### Share your views

This feedback has been invaluable to the XRB as we formulate our submission to the IAASB.

It is not too late to share your view – simply [email](#) us or find out more [here](#).

#### Contact us

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