

SIMPLIFYING AUDITING STANDARDS FOR SMALL OR NON-COMPLEX ENTITIES

CALL FOR ACTION

Accountancy Europe calls on the International Auditing and Assurance Standards Board (IAASB) to explore the best solution to address the issues with using the International Standards on Auditing (ISAs) in small or non-complex entity audits.

The ISAs are becoming more complex, with many requirements addressing the increasing complexity in the audit of large organisations in a global environment. However, at the same time, the ISAs should not lose the ability to be effectively applied in small or non-complex entities' audits.

Speakers as well as participants at our 30 May event provided constructive input on this topic and confirmed that the status quo was not an option.

We note the IAASB's activity and ongoing project in this area, including the dialogue with the Nordic countries. Nevertheless, given the difficulties with using the ISAs in small or non-complex entities, more needs to be done.



“If we do not respond appropriately to calls for change, there is a risk of consigning SME audits, or even audits more widely, to the history books.”

Katharine Bagshaw, IFAC SMP Committee

Accountancy Europe will continue contributing to this strategic debate and to stimulating thought leadership. However, now it is the IAASB's turn to act. The IAASB is a globally recognised standard setter which has credibility and a clear mandate. We are eager to get the IAASB's feedback on the outcomes of our event and to hear more about its action plan!

EVENT HIGHLIGHTS

Our [30 May event](#) brought together more than 50 participants, including practitioners, standard setters and other stakeholders, to debate the future of auditing standards for small or non-complex entities. In addition, another 100 people followed the event via web streaming.

ACCOUNTANCY EUROPE'S PUBLICATION

Hilde Blomme presented Accountancy Europe's new [publication](#) which was the basis for the event. It outlines the issues of using the ISAs in small or non-complex environments and explores various solutions to these issues.



WHAT DO THE STAKEHOLDERS THINK?

...ABOUT PROBLEMS WITH THE ISAs

Panellists and participants discussed these issues and expressed their views. The consensual view was that the fundamental problems with using the ISAs for small or non-complex entities were:

1. Too demanding documentation requirements
2. Difficulty in determining the extent of work required
3. Insufficient consideration of the small entity environment

...ABOUT SMALLER ENTITY CONSIDERATIONS

Just 18% of respondents found smaller entity considerations in the ISAs helpful.

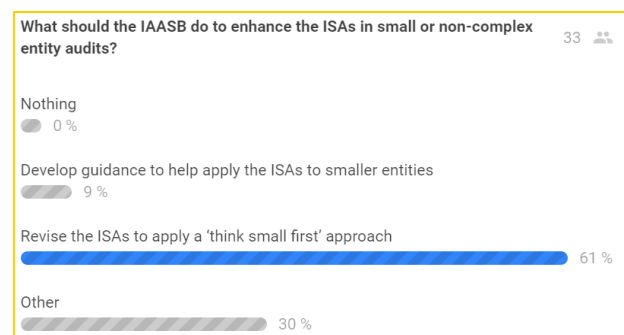
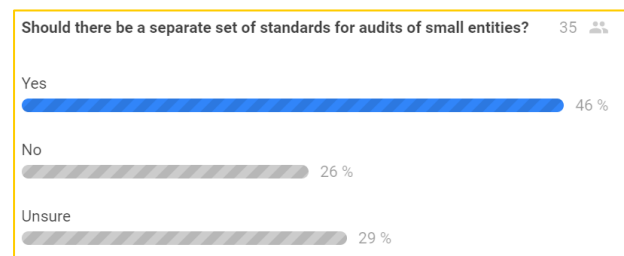
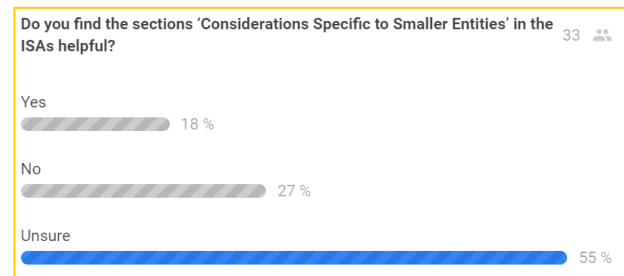
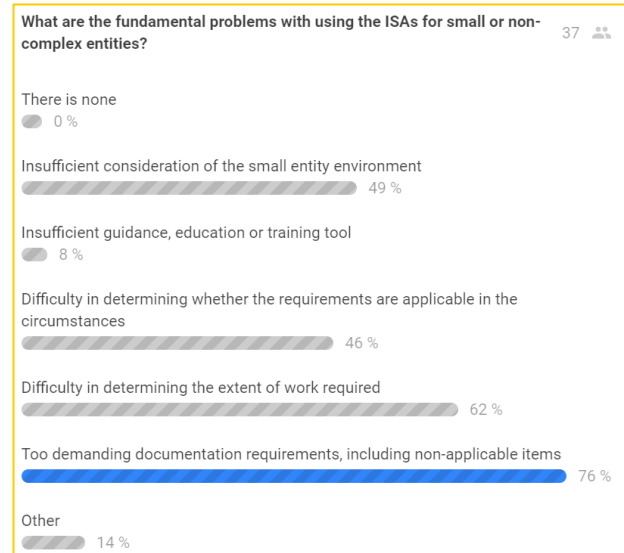
...ABOUT HAVING A SEPARATE STANDARD(S)

Almost half of participants thought that there should be a separate set of standards for auditing small or non-complex entities, a fourth disagreed with this view, while almost a third were unsure.

...ABOUT ENHANCING THE ISAs

Based on the previous poll, we see that a separate set of standards is not a solution that most attendees preferred. How should the IAASB then enhance the ISAs for small or non-complex entities?

The majority of respondents were of the view that the IAASB should revise the ISAs to apply a 'think simple first' approach.



IAASB'S STANDPOINT

Prof. Arnold Schilder, IAASB Chairman, presented the IAASB's standpoint and responded to the views expressed in the polls above.

He welcomed stakeholders' support for the idea of the IAASB experimenting in search for the best solution. Until now, the IAASB has not explored the role of applying technology and innovation in standard setting. However, the IAASB will take this point into account as outlined in its ongoing consultation *Future Strategy Survey for 2020-2023*.



“I am very convinced that there are a lot of possibilities for applying technologies also in an SME/SMP/simple environment and so that should be a very important part of that [IAASB's] work as well.”

Arnold Schilder, IAASB

If the IAASB decides to apply the ‘think simple first’ approach as suggested by participants, there are many questions that need to be further discussed. For example, how it should define ‘simple’ and what the limits to adopting this approach would be. Undoubtedly, there are many challenges ahead for the IAASB in looking for a solution to make the auditing standards better suited for small or non-complex entities.

“Cogito ergo sum: We will survive as long as we are willing to think.”

Arnold Schilder, IAASB

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 51 professional organisations from 37 countries that represent **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18).