



INDEPENDENT REGULATORY BOARD FOR AUDITORS

COMMITTEE FOR AUDITING STANDARDS

IRBA Board Announces Its Decision Not to Adopt the International Standard on Auditing (ISA) for Audits of Financial Statements of Less Complex Entities (ISA for LCE)

Johannesburg / 07 November 2024

On 29 October 2024, the Independent Regulatory Board for Auditors' (IRBA) Board approved a decision not to adopt the ISA for Audits of Financial Statements of Less Complex Entities (LCE) (ISA for LCE). After extensive consultation and a thorough consideration of a recommendation of the Committee for Auditing Standards (CFAS), the Board decided **not to adopt**, issue or prescribe the [ISA for LCE \(and conforming amendments to other International Standards arising from the standard\)](#) for use by registered auditors (auditors) in South Africa.

The ISA for LCE, issued by the International Auditing and Assurance Standards Board (IAASB) in December 2023, is a standalone standard designed to address the specific needs of audits for LCEs.

Prior to this decision, the IRBA, through its CFAS, undertook an extensive analysis, which included seeking views from various stakeholders, to assess the possible outcomes of adopting the ISA for LCE.

The feedback received highlighted several concerns/issues about the adoption of the ISA for LCE in South Africa, and those include the following:

- Limited Benefits: The ISA for LCE does not significantly differ from the existing ISAs and does not offer substantial benefits in terms of efficiency, audit quality or profitability for practitioners.

- Stakeholder Concerns: There is a potential for reduced audit quality, marketplace confusion and the expectation of reduced audit fees, without a corresponding decrease in work effort.
- Implementation Challenges: The complexity of the standard's authority section and the lack of clear guidance on transitioning between standards poses significant challenges.
- Dual Methodologies: The need for dual methodologies, along with the associated investment in resources, time and capital to create multiple sets of templates, methodologies and education programmes for different standards is a concern.
- Two-tier Profession: Different tiers could emerge, with a split between audit firms/auditors that perform ISA audits and those that do LCE audits. This could impact the capabilities and career opportunities of auditors and staff who only perform LCE audits.
- Recruitment Challenges: There could be difficulties with recruiting trainees for audit firms that have a significant number of LCE audits, or an audit department dedicated to the audit of LCEs.

Similarly, these concerns and issues were also recorded in the outreach the South African Institute of Chartered Accountants (SAICA) conducted to evaluate the potential impact of adopting this standard. This outreach comprised roundtable discussions, surveys and feedback from a wide range of stakeholders, including practitioners, regulators and users of financial statements.

Therefore, the Board's decision not to adopt the ISA for LCE has been predicated on these concerns and issues and the deliberations of CFAS.

The IRBA will continue to monitor international developments and engage with stakeholders to ensure that South African auditing standards remain relevant and of high quality.

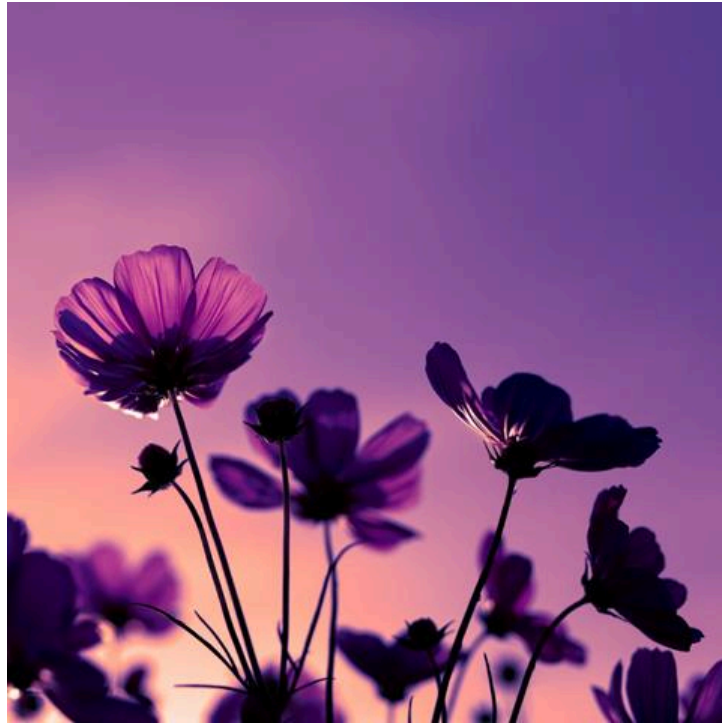
Should you have any further queries, please do not hesitate to contact the Standards Department by emailing standards@irba.co.za.

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Director: Standards

About the IRBA

The objective of the IRBA is to endeavour to protect the financial interests of the South African public and international investors in South Africa through the effective and appropriate regulation of audits conducted by registered auditors, in accordance with internationally recognised standards and processes.





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