

South African auditing profession debating the adoption of a new International Standard

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The International Auditing and Assurance Standards Board (IAASB) published a new auditing standard, the International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (the ISA for LCE), on 6 December 2023. This auditing standard may only be applied in territories where it has been adopted for use. The adoption of this auditing standard in South Africa is currently a highly debated topic within the South African auditing profession.



Many registered auditors eagerly anticipated the development of an auditing standard that provided relief from the volume and complexity of the full suite of International Standards on Auditing (ISAs). Registered auditors in South Africa currently apply the ISAs in the conduct of all audits.

“The ISA for LCE provides the auditor with an auditing standard that is drafted in simpler language than the ISAs and that is focused on the audit of a less complex entity. However, we are not anticipating that audit work will be reduced when an auditor applies the ISA for LCE, if compared to the full suite of ISAs as the ISAs are developed and drafted to be scalable to audits of entities of all sizes and complexity. The ISA for LCE also requires compliance with the same quality management standards and the same ethical standards that apply under the full suite of ISAs,” says Annerie Pretorius, project director: audit and assurance at the South African Institute of Chartered Accountants (Saica).

The auditing profession is debating whether the benefits of applying a simpler auditing standard outweigh possible negative or incorrect perceptions regarding the standard, for example, the possible perception that a lesser audit will be performed. Saica is conducting research regarding the practical differences, if any, of applying the ISA for LCE if compared to the full suite of ISAs.

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