

# Supplement 2-21 to Agenda Item 6

**Audits of Less Complex Entities – ED-ISA for LCE –Q23(b) - Respondents in public practice are asked to share information about the impact of excluding group audits from the scope of ED-ISA for LCE on the use of the proposed standard. In particular: Approximately what % of the audits within your firm or practice would be group audits that would likely be able to use ED-ISA for LCE (i.e., because it is likely that such group audits could be considered less complex entities for the purpose of the proposed standard) except for the specific exclusion?**

**Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(b) - Approximately what % of the audits within your firm or practice would be group audits that would likely be able to use ED-ISA for LCE\1) Response Provided\1a) Can't Quantify**

## **5. Accounting Firms**

### **BDO International**

We cannot quantify this for our organization given the range of views provided by individual BDO firms.

### **Duncan & Toplis Limited**

We could not give an accurate answer to this without detailed research. However, as a broad response, we believe that we audit are not made complex by the fact that they are a group.

### **Mazars**

Difficult to answer as there are many qualitative criteria and it is subjective.

### **PKF International Limited**

We do not have accurate data to share on point (b) covering the PKF network.

### **Price Bailey LLP**

We are unable to capture a reliable figure.

### **PriceWaterhouseCoopers**

There will undoubtedly be groups within individual jurisdictions where engagement teams may believe those groups are not complex. However, as this is a highly subjective judgement, it is not possible to specify a percentage.

### **RSM International**

We do not gather this information for our network.

### **Sayer Vincent LLP**

Unsure at this time as .

## **7. Professional Accountancy and Other Professional Organizations**

### **Association of Practising Accountants**

We are unable to capture a reliable figure.

### **European Federation of Accountants and Auditors for SMEs**

We are not a firm or practice.

We suspect that for many SMPs a minority of their audits would be group audits. This proportion will likely rise from small to large minority as one moves up the scale of practice size.

### **Institute for the Accountancy Profession in Sweden (FAR)**

No information available.

### **Instituto dos Auditores Independentes do Brasil**

We cannot quantify this percentage.

### **Instituto Mexicano de Contadores Públicos (IMCP)**

Response not provided as there is not factual data available at the moment.

### **International Federation of Accountants' Small and Medium Practices Advisory Groups**

Due to the fact that this group is comprised of members from 18 different jurisdictions, it is very hard to be able to say what percentage of audits within each of those firms would likely use the standard. Some jurisdictions also have more statutory requirements that would result in a lower adoption percentage.

### **Self-Regulatory Organization of Auditors Association (SRO AAS)**

We do not have accurate statistics of this indicator, which is probably few percent.

### **Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(b) - Approximately what % of the audits within your firm or practice would be group audits that would likely be able to use ED-ISA for LCE\1) Response Provided\1b) Quantified**

#### **3. Regulators and Audit Oversight Authorities**

##### **Independent Regulatory Board for Auditors (IRBA)**

- This is extremely difficult to assess reliably and differs entirely from Audit firm-to-Audit firm. A rough estimate only is that they could constitute approximately 20% of private audit clients.
- Typically, these could be property companies, agricultural audit clients and family-owned businesses as well as those established in terms of legislation.
- We estimate that less than 5% of all audit clients in the public sector would fall into this category.

#### **4. National Auditing Standard Setters**

##### **Hong Kong Institute of Certified Public Accountants**

Responses gathered from our survey are summarized below:

Audits within my firm/practice would be group audits that would likely be able to use ED-ISA for LCE  
% of respondents  
My firm/ practice does not have group audit engagements  
16%  
Less than 10%  
21%  
10% to 30%  
21%  
30% to 50%  
13%  
50% to 70%  
8%  
70% to 99%  
15%  
100%  
6%

#### **5. Accounting Firms**

##### **Azets Audit Services**

As a broad approximation we expect that in excess of 25% of the group audits we undertake would likely be able to be able to use the ED-ISA for LCE.

### **Baker Tilly International**

This question is unlikely to give representative information because of the differing nature of client bases within respondents to the ED. We estimate that at least 90% of all groups are less complex.

### **Ernst & Young Global Limited**

This question is difficult to answer without knowing the specifics about an engagement's complexity. Of our 31 December year-end audits globally, less than 30% of our group audits are less than 500 audit hours and are likely to be considered LCEs. However, there may be many more audits that are less complex based on the qualitative criteria in the ED-ISA for LCE.

### **ETY sas**

5% of the audits within the practice.

### **Grant Thornton International Limited**

We would estimate that between approximately 20% to 40% of group engagements would be considered less complex entities for the purpose of the Proposed Standard except for the specific exclusion.

### **MHA Monahans**

We estimate that 75% of group audits would be able to use the ISA for LCE

## **6. Public Sector Organizations**

### **Auditor-General of New Zealand**

We estimate that less than 3% of the audits we would classify as less complex entities are group audits.

## **7. Professional Accountancy and Other Professional Organizations**

### **Institute of Certified Public Accountants of Uganda**

We believe that less than 5% of the audits in our jurisdiction qualify as group audits that would likely be able to use the ED-ISA for LCEs.

### **Institute of Chartered Accountants of Ghana**

0% - 5%

### **Institute of Chartered Accountants of Jamaica**

Less than 1%

### **South African Institute of Chartered Accountants (2)**

From a public sector perspective, less than 5% of all auditees (response from the AGSA representative on the task group).

## **9. Individuals and Others**

### **Vera Massarygina**

Approximately 10%.

**Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(b) - Approximately what % of the audits within your firm or practice would be group audits that would likely be able to use ED-ISA for LCE\1) Response Provided\1c) Description not %**

## **4. National Auditing Standard Setters**

### **Austrian Chamber of Tax Advisors and Public Accountants (KSW)**

There are no official data available about less complex groups, but we estimate the majority of local statutory group audits to be potentially performed under ISA for LCE.

### **Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)**

There are no statistics upon which our practitioners would be able to draw to provide an approximate percentage of audits that would be group audits under ISA 600 (Revised 2021) for which the LCE standard could otherwise be applied. However, given the very large number of entities (commercial proprietors and commercial partnerships as well as small and limited liability companies in Germany that have voluntary audits or mid-sized limited liability companies that are subject to statutory audits) with branches or divisions for which financial information is aggregated into the financial statements of those entities, we expect the number of such entities to be a substantial proportion of those entities that would otherwise qualify as LCEs.

### **Japanese Institute of Certified Public Accountants**

It is difficult to quantify the percentage of group audits that would likely be able to use the proposed standard if group audits were not excluded from the scope of ISA for LCE. However, given “the qualitative characteristics that if exhibited by an entity preclude the use of the ISA for LCE for the audit of the financial statements of that entity” described in paragraphs A.8 and A.9, the percentage of such group audits would be quite high, if the number of entities that are expected to be subject to the proposed standard is used as the denominator. Typical examples are entities listed in (a).

For example, there are educational institutions that only operate multiple kindergartens. Meanwhile, recently, more and more kindergartens have also been operated in conjunction with very small corporate-led nursery school. If an educational institute maintains accounting records of such a corporate-led nursery school separately, the entity may be subject to ISA 600 (Revised) even if a small kindergarten only has one small corporate-led nursery school within a company located in its neighbourhood.

According to JICPA’s data on audits of educational institutions for the fiscal year ended March 31, 2020, approximately 4,000 statutory audits were performed under “Act on Subsidies for Private Schools”, and approximately 1,200 statutory audits were performed for “educational and childcare facilities that receive institutional benefits”. Many of such entities have no qualitative characteristics that would make the ISA for LCE inappropriate for use described in paragraphs A.8 and A.9, but many of them have multiple divisions or business sites. Therefore, they are expected to be subject to ISA 600 (Revised), and the application of the ISA for LCE is thus expected to be prohibited only because they are subject to ISA 600 (Revised). If group audits subject to ISA 600 (Revised) are not excluded from the scope of the ISA for LCE, the proposed standard is expected to be applicable to many audit engagements in such group audits.

## **7. Professional Accountancy and Other Professional Organizations**

### **Chamber of Auditors of the Czech Republic**

In the Czech Republic, the threshold for a statutory audit of consolidated FS is relatively low and therefore there are lot of local groups with few entities which will fulfil the Less complex group definition. There are often arrangements where the group consists of a parent company that is effectively dormant except for holding shares in one (or few) less complex subsidiaries.

### **Polish Chamber of Statutory Auditors Warsaw (Regional Branch)**

Low.

### **REA Auditores**

We are not a firm or practice.

Due to the most of the auditor reports are related as SMEs (see Question 5), the most of groups are consequently also SMEs.

### **Society of Certified Accountants and Auditors of Kosovo (SCAAK)**

We are not a firm or practice.

We suspect that for many, if not most, SMPs a minority of their audits would be group audits. This proportion will likely rise from small to large minority as one moves up the scale of practice size.

## **9. Individuals and Others**

### **Cristian Munarriz**

I think many group audits in Argentina are not complex because they typically have only a few components and generally in the same jurisdiction. I currently work for an international mid-tier firm but I worked before for a local smaller firm and they were more than a few small non-complex groups among audit clients.



## Rodoula Roussou

In Greece and in our firm the significant majority of group audits (for non-listed or non-public entities) would be in scope and we would be able to use ISA for LCE. According to the Greek Accounting law that incorporates the EU Directive 2014/56 only the groups that exceed two of the three of the following criteria have the legal obligation to prepare audited consolidated financial statements:

1. Total consolidated assets amounting to 20.000.000 €
2. Total consolidated revenue amounting to 40.000.000 €
3. Average number of employees equal to 250

In my view, most of the other groups that optionally prepare audited consolidated financial statements could be in the scope of this Standard. The groups that have the legal obligation to prepare audited consolidated financial statements, as it is stated above, could also be in scope, based on the complexity of the parent company and the number, the structure, and complexity of the subsidiaries.

## **Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(b) - Approximately what % of the audits within your firm or practice would be group audits that would likely be able to use ED-ISA for LCE\1) Response Provided\1d) Unclear Response**

### 5. Accounting Firms

#### KPMG IFRG Limited

As we note in our answer to part (a), we believe there are groups that are not “complex”, with few components and which are located in a single jurisdiction, and it is unhelpful to exclude such groups from the standard. We believe that exclusion of such groups from the standard may significantly reduce the population of entities to which this can be applied. We recommend that the IAASB perform outreach with the LCE Reference Group to obtain greater clarity regarding the population of groups which are otherwise LCEs.

### 7. Professional Accountancy and Other Professional Organizations

#### Institute of Certified Public Accountants in Israel

The result would be that we will have to exclude from the scope of the standard many companies that theoretically can be audited under the ISA for LCEs; in such a case, we will have to audit such companies in accordance with other ISAs, and this may lead to the standard’s becoming a dead letter.