

Supplement 2-22 to Agenda Item 6

Audits of Less Complex Entities – ED-ISA for LCE – 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: What common examples of group structures and circumstances within your practice would be considered a less complex group

Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(c) - What common examples of group structures and circumstances within your practice would be considered a less complex group\1) Examples Provided\Audit Considerations

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

Majority of subsidiaries are less complex, all entities within the group have the same or similar control environment with similar operating environments, audited by one team and signed by one engagement partner

Irish Auditing and Accounting Supervisory Authority

Use of component auditors not required

4. National Auditing Standard Setters

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

Local expertise is not needed

No or little involvement of component auditors needed, for example, when the entities and business units of the group are at the same location

Japanese Institute of Certified Public Accountants

A specific example is a case where a private accounting firm performs an audit of an educational institution that operates multiple kindergartens in the community. As described in (b) above, many audits of educational institutions could be subject to ISA 600 (Revised). However, it is extremely rare that component auditors are involved in such audits because the auditor of an educational institution (i.e., the group auditor) performs all audit work in majority cases. Specifically, only 0.05% of statutory audits performed under the “Act on Subsidies for Private Schools” (described in (b) above) involves component auditors.

5. Accounting Firms

BDO International

Groups where the group auditor (group engagement partner at a minimum and perhaps also the engagement manager) audits all components, all of which are performed under the LCE standard (i.e., no use of other component auditors).

Duncan & Toplis Limited

We are the sole auditor, no component auditors.

Ernst & Young Global Limited

An owner-managed group that comprises a head office location, several components that operate from the head office location, and one component that operates in another city within the same country. The head office and the components that operate at that head office location are audited by the group auditor. The remaining component is audited by a component team from the same firm.

Grant Thornton International Limited

Groups that are primarily audited by one group engagement team or the same office, i.e., the involvement of component auditors is not necessary.

PKF International Limited

the group audit engagement does not require a component auditor,

RSM International

The overriding criteria for all of these would be that the Parent and Subsidiaries are all audited by the same auditor, i.e., no component auditors are involved.

In addition, group auditors do not always need to involve component auditors, particularly in the situation described in the previous paragraph where both companies could be located in the same country and audited by the same audit team.

7. Professional Accountancy and Other Professional Organizations

Accountancy Europe

A simple example for a less complex group would be cases where all the components are operating in the same jurisdiction and the same audit team is conducting the audits of all components.

local know-how is not essential

no or little involvement of component auditors

ASSIREVI

the foreign components are commercial entities only and are audited by the same network;

Association of Practising Accountants

Entities which are less complex and are all audited by the same firm (no component auditors).

Chamber of Auditors of the Czech Republic

local know-how is not essential

non-involvement of component auditors

Institute of Chartered Accountants in England and Wales

The related consolidations are straightforward. In most cases the same audit team will be involved in auditing the group and the individual entities and the audit will be carried out at a similar time. The auditors of such groups should all be able to apply the proposed standard.

Instituto Mexicano de Contadores Públicos (IMCP)

ii) That all group entities are audited by the same team and that there are no component auditors.

Malta Institute of Accountants

One example is a group that does not involve other auditors.

Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(c) - What common examples of group structures and circumstances within your practice would be considered a less complex group\1) Examples Provided\Consolidation Process Simple

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

- Where the consolidation process is straightforward and there are no complexities.

4. National Auditing Standard Setters

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

Simple consolidation process.

5. Accounting Firms

RSM International

A common example of this would be a holding company with a single operating company, both of which individually qualify for the ED-ISA for LCE. In this situation, the consolidation accounting entries are unlikely to be complicated and the use of the ED-ISA for LCE would be appropriate. The same can also be true for larger groups with several components but no complex consolidation issues.

Groups without complex consolidation issues. Note that goodwill and intangibles identified on acquisition would not be considered complex as they are normal consolidation accounting entries. To aid consistency of approach, we suggest that the IAASB provides examples of consolidation issues that it considers to be complex.

7. Professional Accountancy and Other Professional Organizations

Accountancy Europe

simple consolidation process set by a non-complex financial reporting framework

ASSIREVI

the consolidation process is straightforward, is performed at parent level, there is a group manual and standard accounting policies are applied.

Chamber of Auditors of the Czech Republic

In our view, consolidation does not necessarily create complexity if the applicable financial reporting framework is relatively straightforward, or the group has a single subsidiary that holds a property or another asset.

simple consolidation process set by a non-complex financial reporting framework

European Federation of Accountants and Auditors for SMEs

where all components are auditing by the same audit team;

Institute of Chartered Accountants in England and Wales

The related consolidations are straightforward.

Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(c) - What common examples of group structures and circumstances within your practice would be considered a less complex group\1) Examples Provided\Control Environment

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

- Majority of subsidiaries are less complex, all entities within the group have the same or similar control environment with similar operating environments, audited by one team and signed by one engagement partner.

- Where there are similar control environments throughout the group.

5. Accounting Firms

Ernst & Young Global Limited

A group audit entirely within the same jurisdiction (country) with one or two components that have the same IT environment.

7. Professional Accountancy and Other Professional Organizations

ASSIREVI

the IT systems are highly integrated or their management is centralised with the parent, standard non-customised software is used, external providers are not used;

Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(c) - What common examples of group structures and circumstances within your practice would be considered a less complex group\1) Examples Provided\Dormant Subsidiaries

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

- Groups consisting of many entities that are dormant or with limited activity.
- Numerous dormant entities.

5. Accounting Firms

BDO International

Groups with dormant components

Grant Thornton International Limited

Groups that comprise a holding company, one (or few) operating subsidiary(ies) and dormant subsidiaries and those subsidiaries qualify to be audited under ED-ISA for LCE;

Nexia Smith and Williamson

a “shell” holding company with several non-complex subsidiaries undertaking different types of business, and sometimes with further dormant subsidiaries; and

PriceWaterhouseCoopers

A holding company with one wholly owned trading subsidiary and one or more dormant subsidiaries; or

7. Professional Accountancy and Other Professional Organizations

Institute of Chartered Accountants in England and Wales

straightforward companies with dormant or straightforward subsidiaries;

Instituto dos Auditores Independentes do Brasil

no revenue-generating entities

Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(c) - What common examples of group structures and circumstances within your practice would be considered a less complex group\1) Examples Provided\Group of LCEs only

4. National Auditing Standard Setters

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

A group consisting of LCE components only

Japanese Institute of Certified Public Accountants

If an entity exhibits no characteristics described in paragraphs A.8 and A.9 and the group audit of such an entity involves no component auditor, the entity can be considered to be a less complex group.

Malaysian Institute of Accountants

The term “less complex group” is not used in the proposed standard at present. It can be construed as a group that is made up of various less complex entities where each of these entities’ audit can be conducted using this proposed standard. In this instance, the holding company’s operations should also “be fairly straightforward”, ie, having all the typical characteristics of a less complex nature. The subsidiaries could be wholly owned or otherwise. An example could be that of a vessel charter group where each subsidiary may account for each of the vessels the group owns.

5. Accounting Firms

Grant Thornton International Limited

Groups that comprise a holding company, one (or few) operating subsidiary(ies) and dormant subsidiaries and those subsidiaries qualify to be audited under ED-ISA for LCE;

PKF International Limited

the group entities do not meet any of the other specific criteria and qualitative prohibitions in the Authority of the proposed standard.

PriceWaterhouseCoopers

A holding company with a small number of wholly owned subsidiaries, all of which are individually considered to be less complex entities.

RSM International

A common example of this would be a holding company with a single operating company, both of which individually qualify for the ED-ISA for LCE.

All group companies meet the requirements for using ED-ISA for LCE on a standalone basis.

7. Professional Accountancy and Other Professional Organizations

Accountancy Europe

Another example might be a group which consists of LCE components only, even if some of these operate in different jurisdictions. In our view, consolidation does not necessarily create complexity if the applicable financial reporting framework is relatively straightforward, or the group has a single subsidiary that holds a property or another asset

Institute of Chartered Accountants of Jamaica

each entity would be classified as a LCE.

Instituto Mexicano de Contadores Públicos (IMCP)

i) Groups in which all the entities that comprise it are considered as non-complex within the requirements established in the authority framework of the standard;

REA Auditores

. For example, a group formed by three LCE is consequently a LCE group itself.

Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(c) - What common examples of group structures and circumstances within your practice would be considered a less complex group\1) Examples Provided\Holding Company

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

- One holding company with multiple properties, each held in a company.
- One holding company with one operating subsidiary.
- One holding company, with multiple entities beneath and no sub-groups/sub-consolidations.
- 100%-owned subsidiaries.

5. Accounting Firms

Azets Audit Services

It is not uncommon in the UK to audit groups with simple holding company and trading company operations, entities structured as a group for tax or liability limitation reasons but with non-complex features. We act for many not-for-profit entities with trading subsidiaries, again, often structured in such a manner for tax reasons.

BDO International

Groups that consist of one or more holding companies (which hold investments or property, plant and equipment)

Grant Thornton International Limited

Groups that comprise a holding company and one (or few) operational subsidiary(ies) and that subsidiary(ies) qualifies to be audited under ED-ISA for LCE;

Mazars

A holding structure to prepare for change in ownership due to retirement or sale of the company (non-complex transaction). These set-ups are often tax driven.

Nexia Smith and Williamson

non-complex holding companies with a single non-complex subsidiary;

PriceWaterhouseCoopers

A holding company with one wholly owned trading subsidiary and one or more dormant subsidiaries; or

RSM International

A common example of this would be a holding company with a single operating company, both of which individually qualify for the ED-ISA for LCE.

7. Professional Accountancy and Other Professional Organizations

Association of International Accountants

or example, a parent may just be a holding company that has a wholly owned trading subsidiary and is required to prepare consolidated financial statements because the size of the subsidiary may be such that there are no exemptions or exceptions from preparing consolidated financial statements. This does not mean that the group is complex. In

Confederation of Swedish Enterprise

One example is that entities in a jurisdiction might have a real estate in a subsidiary (as the lone asset). If the real estate would have been on the balance sheet of a single entity and the entity would have passed the ISA for LCE test regarding complexity, then the standard could have been applied.

Institute of Chartered Accountants in England and Wales

holding companies with a few wholly owned subsidiaries with slightly different trades that operate using separate entities for legitimate business or regulatory reasons.

Institute of Chartered Accountants of Scotland

. Groups that might commonly satisfy the necessary criteria would include those with a simple holding company type structure.

Institute of Singapore Chartered Accountants

For example, a group that consist of a holding company that manufactures goods and sells 100% of the goods to its subsidiary (which acts as a marketing/distribution channel) may not be considered complex.

Instituto dos Auditores Independentes do Brasil

Holding companies,

International Federation of Accountants' Small and Medium Practices Advisory Groups

It is also very common for a trading company to have a dormant holding company to facilitate the shareholders' investment that requires group accounts.

Malaysian Institute of Certified Public Accountants

is a holding company with wholly owned subsidiaries with no or little business activities other than owning an asset (e.g. a piece of land).

Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(c) - What common examples of group structures and circumstances within your practice would be considered a less complex group\1) Examples Provided\Holds an Asset

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

- One holding company with multiple properties, each held in a company.

5. Accounting Firms

BDO International

Groups that consist of one or more holding companies (which hold investments or property, plant and equipment)

7. Professional Accountancy and Other Professional Organizations

Confederation of Swedish Enterprise

One example is that entities in a jurisdiction might have a real estate in a subsidiary (as the lone asset). If the real estate would have been on the balance sheet of a single entity and the entity would have passed the ISA for LCE test regarding complexity, then the standard could have been applied.

European Federation of Accountants and Auditors for SMEs

where the group has just one subsidiary that holds a property or single large asset.

Institute for the Accountancy Profession in Sweden (FAR)

Simple structures such as having a specific asset such as real estate property in a separate entity, often for tax reasons.

Institute of Chartered Accountants in England and Wales

family businesses using a holding company which may own the property used in the trade and a separate trading subsidiary;

International Federation of Accountants' Small and Medium Practices Advisory Groups

Another might be whereby a parent entity has a related entity that holds all of the properties that are then leased back to the parent entity.

Malaysian Institute of Certified Public Accountants

is a holding company with wholly owned subsidiaries with no or little business activities other than owning an asset (e.g. a piece of land).

Nordic Federation of Public Accountants

Simple structures often created for tax reasons, such as having a specific asset, for example, a real estate property in a separate entity.

Self-Regulatory Organization of Auditors Association (SRO AAS)

An example of a group may be several subsidiaries, each of which owns a real estate object for rental purposes, and a parent organization.

South African Institute of Professional Accountants

In our jurisdiction majority of organizations structure their group as a subsidiary holding the premises (land and building) from where they operate. This will then qualify as a group and they will be excluded from ISA for LCE under the current exclusions. If the property were based in the operating company, then they would be allowed to apply ISA for LCE. This is an example of a clear example where group companies should not be excluded and can effectively use ISA for LCE.

Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(c) - What common examples of group structures and circumstances within your practice would be considered a less complex group\1) Examples Provided\Industry Specific

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

Furthermore, in the public sector there are certain group structures that are created due to public sector legislation that is not necessarily complex and where all entities in the group would be audited by the same public sector auditors, i.e. the parent company, subsidiaries as well as the consolidated financial statements, limiting the risk of a gap in understanding the entity, internal controls and complexity of the group structure.

- In the local government sphere in South Africa, certain municipalities might have entities that are structurally under their administration. These municipalities would therefore be required to prepare consolidated financial statements. The consolidation of these groups would be considered less complex as there are limited intragroup transactions, and transactions are largely not complex in nature.

- Retail clients will be classified as ISA 600 groups where they have multiple national branches under the same jurisdiction, but a consolidation of financial information is required for reporting purposes.

4. National Auditing Standard Setters

New Zealand Auditing and Assurance Standards Board

For example, in the public sector, the exclusion of group audits would mean that schools that have a small fundraising trust as a controlled entity, would be prohibited from using ED-ISA for LCE.

Our stakeholder feedback also indicates that the LCE standard could be useful for the audit of Māori entities, which have become major players in the New Zealand economy since the settlement of indigenous grievances which began in the 1990s. Many of those entities have been giving careful consideration to how they report on their work (in both financial and non-financial terms) to their tribal members and other stakeholders, with assurance being an important element of their reporting. Most Māori entities have a group structure, for example having trading subsidiaries and charitable trusts sitting under a governing tribal council. The feedback suggested that it would be unfortunate if the LCE standard were not available for such groups where characteristics of complexity are not present.

5. Accounting Firms

Nexia Smith and Williamson

charitable companies with trading subsidiaries.

Price Bailey LLP

Charity with trading subsidiary.

Sayer Vincent LLP

Charities in the UK may run a small number of activities through a trading subsidiary for taxation purposes but in reality this adds very little complexity to the systems or financial processes of group operations. These activities are usually accounted for using the same systems and control processes – they are just run through a separate ledger to provide compliance with the tax rules.

Noted above, the structure where a charity parent has a trading subsidiary that is used for running a small number of activities for taxation purposes but these activities are all run by the same team using the same systems as the parent entity.

6. Public Sector Organizations

Audit Scotland

Public sector bodies occasionally have wholly owned subsidiary trading companies that may use the parent entity's own premises. These would be considered a less complex group where they meet the requirement for consolidation but do not significantly alter the financial presentation of the body.

Auditor-General of New Zealand

The Auditor-General audits several entities that are simple groups. A typical example is a school that has been gifted property that has certain terms and conditions for its use (for instance, the property cannot be sold but the school controls the entity and has exclusive entitlement to the benefits) and where the property has been set up as a separate legal entity. Another example is where an entity has set up a non-trading "name protection" company.

Australian Council of Auditors General

Whole of government accounts are prepared in each ACAG jurisdiction and represent a group audit. This will immediately exclude the application to the majority of state and territory public sector entities. There are other examples of group audits such as within health sector entities, and local governments that have consolidated controlled entities. ACAG has scenarios where an audit of a public sector entity under the proposed ED ISA - LCE would be consolidated into a reporting entity audited under the full suite of Australian Auditing Standards (ASA). Such an audit may not satisfy the ASA group audit requirements

7. Professional Accountancy and Other Professional Organizations

Association of Practising Accountants

Charity with trading subsidiary.

Institute of Chartered Accountants in England and Wales

charitable companies with trading subsidiaries;

International Federation of Accountants' Small and Medium Practices Advisory Groups

It is also common in some jurisdictions for a not-for-profit entity to have a small subsidiary to perform trading activities.

One common example might be a restaurant chain with a holding company that has many restaurants within the group, but each restaurant individually meets all of the characteristics to be considered an LCE.

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3. Regulators and Audit Oversight Authorities

Irish Auditing and Accounting Supervisory Authority

Limited international operations, which reduces issues re currency conversion, different legal requirements etc

4. National Auditing Standard Setters

Institut der Wirtschaftspruefer in Deutschland e.V. (IDW)

Entities or business units (in particular, branches or divisions) operating within one or few (similar) jurisdiction(s), such as within the single EU market

5. Accounting Firms

Duncan & Topliss Limited

All entities are based in one jurisdiction.

Ernst & Young Global Limited

A group audit entirely within the same jurisdiction (country) with one or two components that have the same IT environment.

ETY sas

A Group with all components in the same country

Grant Thornton International Limited

Groups that are all located in the same jurisdiction and all entities that comprise the group qualify to be audited under ED-ISA for LCE;

PKF International Limited

all group entities are located within the same jurisdiction of the group parent entity, and

7. Professional Accountancy and Other Professional Organizations

Accountancy Europe

components operating within one or few (similar) jurisdiction(s)

ASSIREVI

the components are all based in the same country and audited by the same network;

Chamber of Auditors of the Czech Republic

components operating within one or few (similar) jurisdiction(s)

A group structure where all the components are operating in the same jurisdiction or within EU and the same audit team (or network) is conducting the audits of all components would qualify for a less complex group.

European Federation of Accountants and Auditors for SMEs

where all the components are operating in the same jurisdiction;

Institute of Chartered Accountants of Ghana

no multinational entity included in the group.

Institute of Chartered Accountants of Jamaica

parent and subsidiaries are incorporated in the same jurisdiction

Institute of Singapore Chartered Accountants

It is not uncommon to see groups which are not complex, for example, where all entities are within the same jurisdiction

Instituto Mexicano de Contadores Públicos (IMCP)

That they are companies within the same jurisdictional territory and

8. Academics

Argentine institute of Auditing Professors

- The geographical location of its branches or entities forming the economic group. For example, the number of provinces in which the branches or entities of the group operate.

9. Individuals and Others

Cristian Munarriz

Smaller groups, with simple operations in no more than a few jurisdictions (or even in a single jurisdiction).

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3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

- Limited intragroup transactions.

Irish Auditing and Accounting Supervisory Authority

Limited number of intra group transactions

5. Accounting Firms

Baker Tilly International

groups with few/no intragroup trading or intragroup transactions which are only in the nature of loans

Grant Thornton International Limited

Groups that do not engage in multiple or complex intragroup transactions;

7. Professional Accountancy and Other Professional Organizations

Institute of Chartered Accountants of Namibia

Group audits where there are many subsidiaries with component auditors but where the group owns 100% of all its subsidiaries and where there are limited intercompany transactions.

South African Institute of Chartered Accountants (2)

In the local government sphere in South Africa, certain municipalities have entities that are structurally under their administration, so these municipalities would therefore be required to prepare consolidated financial statements. The consolidation of these groups would be considered less complex as there are limited intergroup transactions and these transactions are typically not complex in nature.

8. Academics

Argentine institute of Auditing Professors

- The amount or complexity of the intercompany operations carried out in the economic group.

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3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

- Owner managed businesses with subsidiaries, with the specific purpose of splitting out different operations for reporting purposes, i.e. property companies with the main purpose of administering groups of properties and property rentals.

- Owner-managed groups where subsidiaries are created for a specific purpose, i.e. to split the operations of the business for easier reporting rather than specifically dealing with more complexities.

5. Accounting Firms

Ernst & Young Global Limited

An owner-managed group that comprises a head office location, several components that operate from the head office location, and one component that operates in another city within the same country. The head

office and the components that operate at that head office location are audited by the group auditor. The remaining component is audited by a component team from the same firm.

7. Professional Accountancy and Other Professional Organizations

REA Auditores

when the management and ownership are concentrated in the hands of very few people: such groups tend to be managed as a single entity.

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3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

- Owner managed businesses with subsidiaries, with the specific purpose of splitting out different operations for reporting purposes, i.e. property companies with the main purpose of administering groups of properties and property rentals.

- Owner-managed groups where subsidiaries are created for a specific purpose, i.e. to split the operations of the business for easier reporting rather than specifically dealing with more complexities.

4. National Auditing Standard Setters

Canadian Auditing and Assurance Standards Board

For example, there are many instances in Canada where group structures are set up for tax planning or risk management purposes and include a small number of non-complex entities with simple operations. A common example is a group where one company holds the real estate, one holds investments, and one includes the operations.

5. Accounting Firms

Azets Audit Services

It is not uncommon in the UK to audit groups with simple holding company and trading company operations, entities structured as a group for tax or liability limitation reasons but with non-complex features. We act for many not-for-profit entities with trading subsidiaries, again, often structured in such a manner for tax reasons.

BDO International

Certain group structures that are done only for tax planning purposes; the consolidated entity is operated as a single unit with common management of all entities in the group. As the complexity of the group structure increases, risk also increases, so very complex group structures should not be able to use the LCE standard

Mazars

A holding structure to prepare for change in ownership due to retirement or sale of the company (non-complex transaction). These set-ups are often tax driven.

Simple structures such as having a specific asset such as real estate property in a separate entity.

MHA Monahans

Lots of entities structure themselves as groups, to either protect assets or for tax purposes. Some entities transfer a property or factory to a holding company. The audit of the group is no more complicated, apart from requiring consolidation. We believe the LCE standard should be within scope for group audits that are not complex.

7. Professional Accountancy and Other Professional Organizations

Institute for the Accountancy Profession in Sweden (FAR)

A holding structure to prepare for change in ownership due to retirement or sale of the company (non-complex transaction). These set-ups are often tax driven.

Simple structures such as having a specific asset such as real estate property in a separate entity, often for tax reasons.

Institute of Certified Public Accountants in Israel

an active entity that establishes a subsidiary for the purpose of executing new R&D activities; again - a common practice in Israel.

a company that includes its manufacturing activity in one company and its marketing activity in another company due to business and tax considerations.

Institute of Singapore Chartered Accountants

separate entities are set up for mostly inter-company transactions or for administrative reasons.

Instituto dos Auditores Independentes do Brasil

or companies structured for tax purposes but operates as one.

Nordic Federation of Public Accountants

A holding structure to prepare for change in ownership due to retirement or sale of the company (non-complex transaction). These set-ups are often tax driven.

Simple structures often created for tax reasons, such as having a specific asset, for example, a real estate property in a separate entity.

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4. National Auditing Standard Setters

Compagnie Nationale des Commissaires aux Comptes and Conseil Supérieur de l'Ordre des Experts-Comptables

We consider that a group with 2 or 3 wholly owned subsidiaries could be an example of group structure and circumstances considered as a less complex group

5. Accounting Firms

Baker Tilly International

wholly owned groups or simple ownership structures

BDO International

Wholly-owned components with little or no revenue-generating operations

ETY sas

A group with an unique shareholder for all entities in the group,

PriceWaterhouseCoopers

A holding company with one wholly owned trading subsidiary and one or more dormant subsidiaries;

7. Professional Accountancy and Other Professional Organizations

ASSIREVI

the ownership and oversight structures are straightforward (e.g., a group held by a single party or a family), there are no significant related parties;

Association of International Accountants

or example, a parent may just be a holding company that has a wholly owned trading subsidiary and is required to prepare consolidated financial statements because the size of the subsidiary may be such that there are no exemptions or exceptions from preparing consolidated financial statements. This does not mean that the group is complex.

European Federation of Accountants and Auditors for SMEs

This is especially the case in the following situations: where the management and ownership are concentrated in the hands of very few people;

Institute of Chartered Accountants in England and Wales

family businesses using a holding company which may own the property used in the trade and a separate trading subsidiary;

Institute of Chartered Accountants of Jamaica

Situations where the parent has 100% ownership in 1 – 3 subsidiaries, parent and subsidiaries are incorporated in the same jurisdiction and each entity would be classified as a LCE.

Institute of Chartered Accountants of Namibia

Group audits where there are many subsidiaries with component auditors but where the group owns 100% of all its subsidiaries and where there are limited intercompany transactions.

Institute of Singapore Chartered Accountants

For example, a group that consist of a holding company that manufactures goods and sells 100% of the goods to its subsidiary (which acts as a marketing/distribution channel) may not be considered complex.

Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(c) - What common examples of group structures and circumstances within your practice would be considered a less complex group\1) Examples Provided\2) Other Examples

3. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

- Management and those charged with governance are the same across the entire group.

Irish Auditing and Accounting Supervisory Authority

All financial statements and accounting records prepared by a single accounting team

4. National Auditing Standard Setters

Hong Kong Institute of Certified Public Accountants

Our stakeholders generally consider groups that meet the size test of the Hong Kong Companies Ordinance (Cap. 622) for the reporting exemption to prepare simplified financial statements and directors' reports to be less complex.

The size test used in Hong Kong is based on the total revenue, total assets and number of employees of an entity or a group. We recognize that ED-ISA for LCE is a global standard which applying a size-principle approach may not be the intention of the IAASB to address the varying sizes of economies and circumstances across the globe.

Indonesian Institute of Certified Public Accountants (IAPI)

There were instances where the Group is relatively straight forward and the audit does not involve complex matters, example is when the Group only consists of a limited number of non-public interest subsidiaries, and the circumstances relating to the nature and extent of the entity's business activities, operations and related transactions/events are relatively straight forward.

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

Few entities or business units that need to be consolidated into the group financial statements

New Zealand Auditing and Assurance Standards Board

Other examples of non-complex group structures that could fit the criteria of LCE include entities that have a subsidiary that trades or hold assets, smaller for-profit entities with dormant subsidiaries, investment holding parent with a trading subsidiary, etc.

Public Accountants and Auditors Board Zimbabwe

In some instances the structure is only to achieve a particular efficiency for example admin efficiency/tax efficiency but operations are not complex at all.

5. Accounting Firms

Baker Tilly International

groups operating under similar reporting rules and similar regulation.

The main complexities in group audits arise where there are complex ownership structures. Group audits are not technically difficult but they can be organisationally challenging. Organisational challenges such as the use of component auditors are not the sort of complexities that should be a factor in deciding whether an audit is in scope for the ISA for LCE.

BDO International

Trusts with corporate trustees

A sole proprietor business with a local trust holding the beneficial interest

Duncan & Toplis Limited

There is a simple group structure.

ETY sas

A Group with all components in a region with the same corporate regulations.

Mazars

Subsidiaries (components) that are not material components, i.e. situations where the parent company has a dominate part of the group such as a smaller sales company in another country.

PKF International Limited

the preparation of the individual financial reporting information for all group entities is a direct responsibility of the group parent entity,

all component entities use the same functional currency,

Price Bailey LLP

Parent company with trading subsidiaries – just different trades, or working in different areas.

RSM International

Groups where all components have the same functional currency.

Groups with a centralised accounting function and, whilst there are separate legal entities, the business effectively operates as one legal entity.

7. Professional Accountancy and Other Professional Organizations

ASSIREVI

the group operates in just one sector or is subjected to the same regulations;

the majority of assets and revenue is held/earned by the parent and the other components are immaterial;

Association of Practising Accountants

Parent company with trading subsidiaries – just different trades, or working in different areas.

Chamber of Auditors of the Czech Republic

For group audits, there could be more complex estimates related to the initial acquisition of a subsidiary or an associate. However, in the following years, if the group remains unchanged, the complex estimates related to consolidation itself are not common.

European Federation of Accountants and Auditors for SMEs

where the applicable financial reporting framework is straightforward;

Institute for the Accountancy Profession in Sweden (FAR)

Subsidiaries (components) that are not material components, i.e. situations where the parent company has a dominant part of the group such as a smaller sales company in another country.

Institute of Certified Public Accountants in Israel

A shareholder that holds a company that provides services; the earnings accrued from the provision of services are invested in other entities (subsidiaries), such as companies that hold real estate, and other income-generating companies; the execution of other investments through separate entities (due to tax considerations) is a very common practice in Israel.

Institute of Certified Public Accountants of Uganda

The structures and circumstances that could be considered less complex groups in Uganda include all those groups where a proprietor invests in a number of businesses in different industries such as manufacturing, hospitality, education or real estate. In most cases, the proprietor will then identify them all as his/her group of companies and they will often have the same overall management. We are of the view that such groups in the country that identify as a group of companies be incorporated within the scope of the ED-ISA for LCEs.

Institute of Chartered Accountants of Ghana

Less complex group will be considered when none of the companies forming the group is public interest entity, government entity or no multinational entity included in the group.

Institute of Chartered Accountants of Scotland

Where the group does not contain a listed entity or other form of public interest entity and does not have complex operations or transactions. The qualitative criteria set out in paragraphs A8 and A9 would appear appropriate for this purpose.

Nordic Federation of Public Accountants

Subsidiaries (components) that are not material components, i.e. groups where the parent company is the dominate part of the group and where, for example, there is a smaller sales company in another country.

Society of Certified Accountants and Auditors of Kosovo (SCAAK)

A single owner may have 2 or more companies which are less complex in nature and law requires consolidation even though they tend to be managed as single entity.

8. Academics

Argentine institute of Auditing Professors

The number of branches of the economic group or the number of entities forming the economic group.

- The number of employees.
- The structure of the group is not complex, whether at the shareholder level, from the legal, economic, etc. points of view.
- Whether the financial statements are to be consolidated or converted.

9. Individuals and Others

Rodoula Roussou

Many family owned groups would be considered as less complex group.

Vera Massarygina

One legal entity with divisions.

Section 5 – Group Audits\Question 23 - Information about the impact of excluding group audits from the scope of ED-ISA for LCE\Question 23(c) - What common examples of group structures and circumstances within your practice would be considered a less complex group\2) Believe groups are inherently complex

7. Professional Accountancy and Other Professional Organizations

Polish Chamber of Statutory Auditors Warsaw (Regional Branch)

Not applicable, taking into account the answer in point 22.

Yes, it should be excluded from the scope.