

Supplement 2-24 to Agenda Item 6

Audits of Less Complex Entities – ED-ISA for LCE – Q25– Are there other ways that group audits could be incorporated into the scope of the proposed standard that is not reflected in the alternatives described above? For example, are there proxies for complexity other than what is presented in paragraph 169 that the IAASB should consider?

**Section 5 – Group Audits\Question 25 - Are there other ways that group audits could be incorporated into the scope of the proposed standard (Other than Q24)\2
Yes - Different Method\Guidance**

5. Accounting Firms

Crowe Global

See response to question 22.

We consider that if an LCE is required by law or regulation or chooses for its own business and strategic reasons to prepare group financial statements and an audit is required then that audit can come within the scope of ED-ISA for LCE.

As the IAASB has invested significant time and effort in the development of ISA 600 (Revised) we consider that rather than including group audit requirements within the content of ED-ISA for LCE, ISA 600 (Revised) should be applied. To assist with the performance of a group audit, the IAASB could prepare a staff publication that assists with the application of ISA 600 (Revised) alongside ED-ISA for LCE.

**Section 5 – Group Audits\Question 25 - Are there other ways that group audits could be incorporated into the scope of the proposed standard (Other than Q24)\2
Yes - Different Method\One Authority for Both**

5. Accounting Firms

Azets Audit Services

Headline qualitative characteristics of a group, or an entity that is part of a group, or a standalone entity that is not complex do not really differ. The standard could include some limited essential explanatory material to highlight examples relevant to groups without the need for setting out explicit prohibitions or qualitative characteristics that are group specific within its

7. Professional Accountancy and Other Professional Organizations

Institute of Chartered Accountants in England and Wales

Yes. Group audits could be incorporated into the scope of the proposed standard using the same criteria for complex groups and complex single entities.

**Section 5 – Group Audits\Question 25 - Are there other ways that group audits could be incorporated into the scope of the proposed standard (Other than Q24)\2
Yes - Different Method\Standalone Group Standard**

5. Accounting Firms

PKF International Limited

In our view, group audits should be excluded from the scope of the ED-ISA for LCE.

Group audits create additional complexity in several areas of an audit which would not otherwise be present in a non-group audit. In our view, if the IAASB were to consider publishing ISA requirements on group audit in context of a less complex audit engagement, we would encourage the IAASB to consider the benefits of a stand-alone ISA for less complex groups. In our view, a separate ISA for less complex groups could form a complimentary suite of “Less Complex ISAs” alongside the ED-ISA for LCE.

We believe that further time and due process is required in order to properly develop an appropriate ISA for Less Complex Groups. If the IAASB does proceed with an ISA for Less Complex groups, we would encourage the IAASB to publish the final ISA for LCE in the meantime, with group audits being excluded from its scope.

Please see our response to 22 above, which summarises our preferred method of presenting ISA requirements on audits of Less Complex Groups, within a separate ISA.

**Section 5 – Group Audits\Question 25 - Are there other ways that group audits could be incorporated into the scope of the proposed standard (Other than Q24)\2)
Yes - Different Method\Update ISAs**

5. Accounting Firms

SRA

We get the impression that the proposed ISA for LCE has been derived from the present ISA's via a top-down approach. In our view, requirements for all audits should be based on a bottom-up approach, thereby making a strong base on which more detailed requirements can be built. These basic requirements could partly be principle-based.

Following this approach a distinction could be made within the present ISA's between basic requirements for all audits (including LCE's) and other requirements, applicable to complex entities. Requirements applicable to all audits could be named key or basic requirements. Of course, it is essential to have a clear wording of these key or basic requirements.

In an audit of group financial statements, the suggested approach will lead to an efficient audit of a combination of complex and less complex entities. The group auditor should be responsible for deciding the audit approach of each entity.

Based on the above arguments we urge the IAASB to seriously reconsider the approach chosen of developing a stand-alone standard for LCE's. In our view, an integrated set of standards (the ISA's) leads in the long run to a much more effective use of the standards and contributes to an effective process of standard setting.

**Section 5 – Group Audits\Question 25 - Are there other ways that group audits could be incorporated into the scope of the proposed standard (Other than Q24)\3)
No Other Ways Identified**

4. National Auditing Standard Setters

Canadian Auditing and Assurance Standards Board

We did not identify any other options.

Hong Kong Institute of Certified Public Accountants

We do not have any other comments.

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

No, we believe that our response to Question 24 covers the matter.

5. Accounting Firms

Duncan & Toplis Limited

We have no further comment in this area.

ETY sas

No

6. Public Sector Organizations

Government Accountability Office (USA)

We have not identified other ways for including group audits in the ED-ISA for LCE that would not make the ED-ISA more complicated.

7. Professional Accountancy and Other Professional Organizations

Accountancy Europe

No, we believe that the way described in our response to question 25 is sufficient. Adding more proxies or qualitative characteristics will add complexity and create risk of divergent interpretations for the authority of the standard.

CPA Ireland

No further matters have been identified.

European Federation of Accountants and Auditors for SMEs

We cannot identify any other ways than the alternatives described above, nor can we think of any other proxies better than those presented.

Institute of Chartered Accountants of Jamaica

No other ways contemplated.

Institute of Chartered Accountants of Pakistan

No further comments.

Instituto Mexicano de Contadores Públicos (IMCP)

As for other ways to incorporate Group audits into the proposed standard, we consider that there are none.

International Federation of Accountants' Small and Medium Practices Advisory Groups

We could not think of any other ways besides those previously mentioned that group audits could be incorporated into the scope of the proposed standard that have not otherwise been considered.

Korean Institute of Certified Public Accountants

We have no additional suggestion.

Malaysian Institute of Certified Public Accountants

We believe that the proxies for complexity presented in paragraph 169 are sufficient. We do not have other comments.

Malta Institute of Accountants

No further comments.

Ordre National des Experts Comptables et des Comptables Agréés du Burkina Faso (ONECCA-BF)

No

Pan-African Federation of Accountants (PAFA)

None

REA Auditores

We cannot identify any other ways than the alternatives described above, nor can we think of any other proxies better than those presented.

Self-Regulatory Organization of Auditors Association (SRO AAS)

We don't have an idea of such other way.

Society of Certified Accountants and Auditors of Kosovo (SCAAK)

We cannot identify any other ways than the alternatives described above, nor can we think of any other proxies better than those presented.

South African Institute of Professional Accountants

No other recommendations

Union of Chambers of Certified Public Accountants of Turkey (TURMOB)

Option 2 is fit for purpose.

Section 5 – Group Audits\Question 25 - Are there other ways that group audits could be incorporated into the scope of the proposed standard (Other than Q24)\4) Other Comments

4. National Auditing Standard Setters

New Zealand Auditing and Assurance Standards Board

The NZAuASB considers that Option 2 is appropriate for the scoping of group audits. Auditors will be required to consider such QCs regardless of whether they are going to use component auditors.

5. Accounting Firms

BDO International

The use of component auditors may be a suitable proxy for complexity, although this would have to be complemented with qualitative considerations (as for non-groups) to ensure that complex groups for which the group auditor is also a component auditor, or perhaps even the auditor of all components, are not automatically permitted to be audited under ISA for LCE.

Mazars

The revised standard ISA 600 has just been adopted by the IAASB in December 2021; We believe it would have been the appropriate place to include scalability directly in the ISA 600 standard under revision. Now, we consider that the ED LCE should be released as first step and then in parallel the IAASB could work facts and circumstances where the ED LCE could be used for non-complex groups.

Price Bailey LLP

The only other factor may be the use of size criteria by the relevant local jurisdiction.

6. Public Sector Organizations

Auditor-General of New Zealand

There might be other ways of doing this. However, if the criteria are not clear and simple to apply then that, in itself, is an indicator of complexity.

7. Professional Accountancy and Other Professional Organizations

ASSIREVI

We have not identified proxies for complexity other than those identified in paragraph 169, also because we do not believe it is appropriate to establish proxies based on quantitative thresholds to be calculated using financial statements captions (such as revenue, total assets, etc.).

Belgian Institute of Registered Auditors (IBR-IRE)

It is worth mentioning that the applicability of the ISA for LCE may depend upon the requirements put forward by the group auditor. When detailed accounting principles / detailed group internal control procedures are present and the group auditor is requiring in-depth auditing and reporting on such procedures, this could be a characteristic of complexity that the component auditor should take into account when assessing whether the component is a LCE or not.

Chamber of Auditors of the Republic of Azerbaijan

There are probably other ways to incorporate group audit engagements into the scope of the proposed standard that are not reflected in the alternatives described in the Draft and that can be developed as the standard is applied.

Chartered Accountants Ireland

In our view, audit complexity is usually associated with accounting complexity and not necessarily around how a group audit is structured (i.e. the use of component auditors).
If group audits are included in ED-ISA

Institute of Chartered Accountants of Namibia

Where the group auditor assesses the risk of each component, it should also assess which auditing standards they expect to be applied to each entity in the group. Once each assessment is complete, the group auditor would then determine whether the draft standard would be appropriate based on how the group audit would be impacted by subsidiaries that will be audited in terms of full ISAs. This would be included in the determination of whether the group financial statements can be audited in terms of the draft standard.

In the case above, the IAASB would need to consider whether the group audit report should include a reference to subsidiaries that use a different audit standard to the group. As long as the audit report clearly states that the two standards provide the same level of assurance, it should be sufficient.

Instituto dos Auditores Independentes do Brasil

A clear criteria would be needed to avoid different judgements being made by auditors on whether or not a group audit is within the scope of this standard. We understand it will be difficult to describe qualitative characteristics that would not result in significant subjective judgements.

9. Individuals and Others

Cristian Munarriz

I think the best approach is considering the qualitative characteristics of the group as a whole (as if it were a single entity). I think the most relevant factors to assess if complexity exist are the qualitative characteristics of the entity, its economic environment and its operations, rather than the group structure. This is further illustrated in my answer to question 22.

Section 5 – Group Audits\Question 25 - Are there other ways that group audits could be incorporated into the scope of the proposed standard (Other than Q24)\7) Refs to earlier comments only

4. National Auditing Standard Setters

Japanese Institute of Certified Public Accountants

Please refer to our response to Question 24 above.

5. Accounting Firms

Grant Thornton International Limited

See our response to question 24 above regarding the combination of Option 1 and Option 2 presented in the Explanatory Memorandum.

KPMG IFRG Limited

We believe the options presented by the IAASB are the most appropriate ways to incorporate group audits within the scope of the proposed standard. Please see our response to question 24 which sets out our suggestions to enhance the “proxies for complexity” specifically in respect of group audits.

PriceWaterhouseCoopers

Please see our response to question 24.

7. Professional Accountancy and Other Professional Organizations

Confederation of Swedish Enterprise

As we stated in our answer to question Section 4B 4 (a), we consider that all entities in the group should be assessed to be less complex entities if audit of group financial statements is to be permitted.

Federation of Accounting Professions of Thailand

As mentioned in Question 24, option 1 is not preferable.

Institute for the Accountancy Profession in Sweden (FAR)

See 24.

Institute of Chartered Accountants of Scotland

In light of our response to Question 24 we do not believe that there is a need to consider any such matters.

Nordic Federation of Public Accountants

We refer to our response to question number 24.

Polish Chamber of Statutory Auditors Warsaw (Regional Branch)

Not applicable (see answer 24).

8. Academics

Argentine institute of Auditing Professors

We suggest the examples of complexity mentioned in question 23.

9. Individuals and Others

Vera Massarygina

See para.22 above.