

Supplement 2-25 to Agenda Item 6

Audits of Less Complex Entities – ED-ISA for LCE – Q26 – If group audits are included in ED-ISA for LCE, how should the relevant requirements be presented within the proposed standard (please provide reasons for your preferred option)

- (a) Presenting all requirements pertaining to group audits in a separate Part; or**
- (b) Presenting the requirements pertaining to group audits within each relevant Part.**

Section 5 – Group Audits\Question 26 - If group audits are included in ED-ISA for LCE, how should the relevant requirements be presented within the proposed standard\1) Option (a) - Separate Part

3. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority

Option (a) - They should be shown in a separate part, rather than incorporated in different sections. This will ensure that there are no steps missed. This will also give a true picture of what audit work needs to be done in group audits. Also considering that groups audits are not common in less complex entities.

4. National Auditing Standard Setters

Canadian Auditing and Assurance Standards Board

We believe that group audit requirements should be included in a separate Part of ISA for LCE to keep the body of the standard simple, short and focused on the core requirements.

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

If group audits are included in ED-ISA for LCE, we consider that the requirements for group audits should be presented in a separate Part, otherwise it could make the standard too complex and unclear.

Hong Kong Institute of Certified Public Accountants

For ease of application, we suggest to include the relevant requirements in a separate part, such as Part 10.

Indonesian Institute of Certified Public Accountants (IAPI)

Option (a) - Presenting all requirements pertaining to group audits in a separate Part.

The ED-ISA for LCE is meant to be a stand-alone auditing standard. The flow of the standard would make it easier to read and understand when all the necessary requirements for a group audit are included in a separate Part of ED-ISA for LCE.

Japanese Institute of Certified Public Accountants

If group audits are included in ISA for LCE, all relevant requirements pertaining to group audits should be presented in a separate Part as proposed in (a) above. In this way, the structure of the proposed standard will be more comprehensible for both cases where ISA 600 (Revised) is applied and not applied.

Malaysian Institute of Accountants

Response: Approach (a) in the form of a supplementary module should be used so that auditors can more readily see the impact of group audits in a single location.

Royal Netherlands Institute of Chartered Accountants (NBA)

We are in favour of presenting all requirements pertaining to group audits in a separate Part. If a group audit is not applicable, it will be easier to skip these requirements when they are separate.

5. Accounting Firms

Azets Audit Services

In our view, the understandability of the standard should not be compromised by the inclusion of group requirements within the body of a main text of a static document that is written principally for application in an individual entity scenario.

Many auditors apply an audit methodology based on the relevant framework that can be dynamic based on the qualities of the audited entity so the practical, day-to-day, implications of having requirements in a separate part are minimal when weighed against the benefit of clarity for most users of the standard itself. This would not be so important a question if the presentation of auditing standards was dynamic at source.

BDO International

Response: We are in favour of option (a) as this carve-out approach could help manage the perceived length of the standard for audits of non-groups, and would allow jurisdictions to exclude the entire Part if they do want to scope group audits into the LCE standard. Other users would still be able to reference accordingly to relevant parts through the use of cross references in the standard.

Duncan & Toplis Limited

Response: We believe to focus the user of the standard it would be preferable to present the requirements in a stand-alone section.

ETY sas

For avoiding confusion and misunderstanding, ease of referencing and use of the standard, our preference goes to option (a) as considerations related to group would be akin to “special considerations” and not necessarily relevant for all audits.

Mazars

We believe that a separate part for group audits is the preferred option. Including the requirements throughout the standard would make it more complex to apply ISA for LCE for a single entity.

MHA Monahans

Option a. We think the standard would be better to keep group requirements separately.

MNP LLP

As ISA 600 is a separate standard, we believe keeping that consistency and having a separate part in addition to Part 1 to Part 9 would make the most sense for including group audit requirements. This would reduce the amount of unnecessary information that auditors of non-group LCEs would have to filter through when using the standard.

Price Bailey LLP

Response: Option (a) having them within a separate part but clear as to what is required at the different stages of the engagement and ensuring only include the requirements which will be relevant to the less complex groups.

6. Public Sector Organizations

Auditor-General of New Zealand

If group audits are included in the proposed standard, then all requirements pertaining to group audits should be presented in a separate Part. Our reasoning is that we envisage that most audits carried out under the proposed standard will not be groups.

7. Professional Accountancy and Other Professional Organizations

Accountancy Europe

Our preferred option will be having a separate part for requirements related to group audits. This will be more practical for auditors to identify relevant requirements.

ASSIREVI

While the proposed ISA for LCE is structured using the flow of an audit, we believe the first option is preferable, i.e., the presentation of all the requirements pertaining to a group audit in a separate Part. This is in line with the approach developed in the ISAs (which have a specific standard, ISA 600) and is easier to use both by the auditor that has to audit the consolidated financial statements (as they would find all the

requirements in a single Part) and the auditor that only performs the statutory audit (as the related requirements would be less as they would not include those for the consolidated financial statements). In addition, cross-referencing would be performed in the other parts of the same standard and not in various standards.

Association of Practising Accountants

Response: We would prefer option (a) - having them within a separate part but being clear as to what is required at the various different stages of the engagement process and ensuring requirements are only included where they are relevant to less complex groups should yield a better outcome.

Belgian Institute of Registered Auditors (IBR-IRE)

Our preference would be to present all requirements in relation to group audits in a separate Part. We believe that such a separate Part would facilitate the user in finding all matters related to group audits in accordance with the ISA for LCE in a centralised manner.

Chamber of Auditors of the Czech Republic

Our preferred option will be having a separate part for requirements related to group audits. This will be more practical for auditors to identify relevant requirements.

Chartered Accountants Ireland

We would support the inclusion of group audits in a separate part of the standard.

Chartered Governance and Accountancy Institute in Zimbabwe

Response: We suggest the use of a separate Part for requirements on group audits, if they are to be included.

CPA Australia

We recommend inclusion of requirements for group audits in a separate part so those requirements can more easily be disregarded if it is not a group audit.

Eurasian Group of Accountants and Auditors

The introduction of a separate part for all requirements related to group audits is the right decision to make in order to maintain the logic of the standard. This will be convenient for those auditors who do not conduct group audits.

Such a part must be developed and included in the ED, i.e. before the issuance of the ISA for LCE.

European Federation of Accountants and Auditors for SMEs

We prefer presenting all requirements pertaining to group audits in a separate Part.

We note that this approach is used in the IFRS for SMEs ('Section 9 Consolidated and Separate Financial Statement').

Federation of Accounting Professions of Thailand

We believe option (a) is preferable since it would be easier for the practitioners to refer to when conducting the audits.

Finnish Association of Authorised Public Accountants

We prefer option a)

It would be more clear for both group auditors and those who do not need it.

If group audits were excluded, ISA for LCE should clearly state that ISA for LCE can be applied in the component audits (if not complex or otherwise prohibited) when it can be or cannot be applied in the audit of the parent's financial statements (when they are presented in same F/S?)
what does it actually mean to apply ISA for LCE in group audits – other than excluding/including the non-relevant standards such as ISA 600? Especially if majority of operations and financial activities occur in components and the parent is "only holding". Guidance should be given regarding this.

Institute for the Accountancy Profession in Sweden (FAR)

We find that a separate part is the preferred option. Including the requirements throughout the standard would make it more complex to apply ISA for LCE for a single entity.

Institute of Certified Public Accountants in Israel

ICPAI prefers alternative (a). (Due to the reasons listed in the text).

Institute of Certified Public Accountants of Cyprus

Response: If group audits are included in ED-ISA for LCE, we will prefer that all requirements are presented in a separate Part.

Institute of Certified Public Accountants of Rwanda

Response: If group audits were to be included in ED-ISA for LCE, they should be presented within the proposed standard as option (a) Presenting all requirements pertaining to group audits in a separate Part.

Institute of Certified Public Accountants of Uganda

We support the option of presenting all requirements pertaining to group audits in a separate Part of the standard which then be referred to during the relevant audits. This would reduce the amount of unnecessary information that auditors of non-group LCEs would have had to filter through when using the standard.

Institute of Chartered Accountants of Ghana

Response: We prefer option (a) because it will be easy to implement the content and applied to audit work. Situating all requirements for group audits in a separate part is ideal.

Institute of Chartered Accountants of Jamaica

Response: Option (a) is preferred; presenting all requirements pertaining to groups in a separate Part would follow the trend established so far, in the proposed ISA for LCE, where information presented is understandable, clear and capable of consistent application.

Institute of Chartered Accountants of Namibia

We believe groups should be included in a separate part as there are elements of a group audit that are not included elsewhere in the standard, for example, group reporting requirements, component risk assessment, etc.

Institute of Chartered Accountants of Scotland

We would prefer option (a) i.e., presenting all requirements relating to group audits in a separate Part of the proposed ISA for LCE as we believe this would be clearer.

Instituto dos Auditores Independentes do Brasil

We would prefer (a) approach.

International Federation of Accountants' Small and Medium Practices Advisory Groups

The SMPAG would prefer including a separate Part within the standard that is specific to group audit situations.

Malaysian Institute of Certified Public Accountants

Our preference is Option (a) where all the requirements pertaining to group audits be presented in a separate part, so that it is easier to understand the impact of group audits in one location and for the purpose of reference by those without group audits.

Nordic Federation of Public Accountants

Including the requirements throughout the standard would make the standard more complex to apply for a single entity. Therefore, we find that a separate part is the preferred option.

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

For avoiding confusion and misunderstanding, ease of referencing and use of the standard, our preference goes to option (a) as considerations related to group would be akin to “special considerations” and not necessarily relevant for all audits.

Pan-African Federation of Accountants (PAFA)

For ease of reference and use of the standard, our preference is to have all the requirements in a separate part as the considerations related to group would be akin to “special considerations” and not necessarily relevant for all audits.

REA Auditores

We have no strong view but have a slight preference for presenting all requirements pertaining to group audits in a separate Part. Hence, we suggest that simplified provisions from the ISA 600 suite be included in a separate Part.

Society of Certified Accountants and Auditors of Kosovo (SCAAK)

Response: We have a preference for presenting all requirements pertaining to group audits in a separate Part.

South African Institute of Professional Accountants

Response: We have no strong view, but for ease of reference and use of the standard, our preference is to have all the requirements in a separate part as the considerations related to group would be specific.

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

We prefer that all requirements pertaining to are presented as a separate part related to group audits.

Wirtschaftsprüferkammer (WPK)

We favour option (a).

8. Academics

Argentine institute of Auditing Professors

Response: We suggest the option: (a) Present all requirements related to group audits in a separate Part.

Hunter College Graduate Program

26. Presenting the requirements pertaining to group audits in a separate part seems most effective, especially if group audits were to be included in ED-ISA for LCE. Having one part dedicated solely to group audits would allow readers to refer and reflect back on that specific section, and subsections for guidance. We believe if option b were to be chosen (Presenting the requirements pertaining to group audits within each relevant Part) then readers who do not need information on group audits would be able to skip that part, and focus on the parts of the guidance that are most relevant to their engagement.

9. Individuals and Others

Cristian Munarriz

Response: I think presenting the requirements in a separate part will be preferable for 2 reasons: 1) It is the same approach in the ISAs; and 2) including requirements in a separate part may allow greater differentiation of the specific requirements applicable for group audits, so the auditor may be able to better identify the additional requirements to be performed for group audits compared to other audits which do not qualify as group audits.

Rodoula Roussou

They could be presented in a separate part and within each relevant part as “pop –up”, once the standard is moved into an electronic format.

Vera Massarygina

Response: Presenting all requirements pertaining to group audits in a separate Part.

Section 5 – Group Audits\Question 26 - If group audits are included in ED-ISA for LCE, how should the relevant requirements be presented within the proposed standard\2) Option (b) - Within relevant Part

3. Regulators and Audit Oversight Authorities

Finance Professions Supervisory Centre Indonesia

If group audits are included in ED-ISA for LCE, the relevant requirements pertaining to group audits is presenting within each relevant Part. With such a presentation format, it can make it easier for standard users and auditor to understand the standard and performing audit. The auditor would have access to all relevant requirements organized in the flow of the audit which is consistent with how the proposed standard has been developed. In those circumstances when the requirements for group audits apply, the auditor would have easy access to the group audit procedures in the flow of the audit, and would not have to refer to another Part to determine the relevant requirements.

Independent Regulatory Board for Auditors (IRBA)

In line with the overall design and structure of the proposed standard that follows the flow of an audit, we suggest that the requirements pertaining to group audits be presented within each relevant part of the proposed standard.

Alternatively, there could be a combination of (a) and (b), where group specific requirements are contained in a separate part of the proposed standard and group considerations relating to parts 1-9 of the standard are included within each relevant part of the proposed standard.

4. National Auditing Standard Setters

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

Response: Option b is preferred.

5. Accounting Firms

Baker Tilly International

Baker Tilly comments: This is only an issue because the IAASB is requiring the ISA for LCE to be standalone. Option b is preferable on the grounds that is most helpful to users of the ISA for LCE.

Ernst & Young Global Limited

Since the ED-ISA for LCE is structured to follow the flow of an audit, we believe that the relevant requirements for group audits should be presented within each relevant part of the ED-ISA for LCE. It is our view that option (b) would be the most seamless approach to presenting the group audit content since using this approach would result in the guidance on group audits being presented within the ED-ISA for LCE when relevant to each part of the audit.

Grant Thornton International Limited

There are advantages and disadvantages to the options suggested above. Including all the requirements in a separate Part to ED-ISA for LCE will result in each Part being longer and requirements and EEM that will not be applicable to all auditors using ED-ISA for LCE. Conversely, including the requirements pertaining to audits of group in a separate Part will result in those auditing groups referring to two parts of ED-ISA for LCE for each stage of the audit. On balance, we prefer the requirements for group audits to be located in the Part of ED-ISA for LCE for which the group audit considerations relate. However, we would highlight that if ED-ISA for LCE is digitised in the same manner as the ISAs, the placement of the requirements and EEM for audits of groups becomes less important.

KPMG IFRG Limited

We suggest that the requirements be included throughout the standard, in line with the overall flow of the standard, which would be consistent with the approach taken for the standard as a whole and would therefore ensure that material is more directly accessible and user-friendly. We highlight that this approach is facilitated by using “Option 1”, hinging on whether or not component auditors are used since the material for inclusion within the LCE ISA would be limited, given that most of ISA 600 is designed to address the involvement of component auditors.

We suggest that the group audit material that is interspersed throughout the LCE ISA be distinguished from other content of the LCE ISA, e.g. by inclusion in separate boxes, for ease of use by auditors who are not auditing a group.

Nexia Smith and Williamson

We can see the advantages and disadvantages of both options. On balance, we believe it will be better to present the requirements pertaining to group audits within each relevant part, so as to support the “flow of the audit” presentation. This will mean that the group audit requirements need to be highlighted clearly so that they can be ignored by those not performing group audits, as is recognised by the IAASB.

PriceWaterhouseCoopers

Alternative options likely need to be initially explored by the Board to determine what works most effectively in practice. If groups are incorporated based on the criteria we suggest, in particular excluding the need for any requirements relating to involvement of component auditors, then it may be relatively straightforward to incorporate additional requirements into each respective Part.

RSM International

Response: If groups are included, our view is that the requirements should be included in each part of the standard, i.e., option b. The advantage of this is that it retains the integrity of the structure of ED-ISA for LCE. However, we note that, if no component auditors are involved, the additional requirements should be minimal.

Sayer Vincent LLP

No strong preference but it may be easier if within a separate part so that the specific requirements for group audits could easily located and checked in one place rather than spread through the ISA.

6. Public Sector Organizations

Audit Scotland

If group audits are included in the ED-ISA for LCE, the requirements pertaining to group audits should be presented within each relevant Part. To do otherwise would run counter to the valuable approach of organising the ISA for LCEs to follow the flow of an audit engagement.

7. Professional Accountancy and Other Professional Organizations

Chamber of Auditors of the Republic of Azerbaijan

26. If group audit engagements are incorporated in ED-ISA for LCE, relevant requirements should be presented within the proposed standard as requirements pertaining to group audit engagements in each relevant part.

Indonesian Committee on Public Accountant Profession (KPAP)

Response: KPAP believes that the ED-ISA for LCE has presented the requirements for group audits in each relevant part to relate to other matters in the flow of relevant audit procedures in carrying out the audit.

Institute of Chartered Accountants in England and Wales

Requirements should be presented within each relevant part, on a conditional basis. If all groups are included, this would include distinguishing between group audits with a single auditor, and those with more than one auditor.

Institute of Chartered Accountants of Pakistan

We suggest that approach (b) would be appropriate as it will follow the flow of the audit and will be consistent with the structure of the proposed standard.

Instituto Mexicano de Contadores Públicos (IMCP)

Our proposal is option (b), to present the requirements corresponding to the group audits in each relevant part.

In addition, , we also consider it is convenient that the requirements applicable to group audits can be easily identified, which could be by highlighting them in a color other than blue or by noting a mark or comment on them.

Self-Regulatory Organization of Auditors Association (SRO AAS)

Both ways can be implemented. The presentation of requirements in a separate part has the disadvantage that the sequence and logic of parts of the standard as an audit flow will be mismatched. The presentation of requirements in each separate part of the standard at first glance clutters up the text and distracts those who do not apply the standard for group audit. However, it seems that there will not be many separate requirements for the LCE group audit, then it is better to include them in each relevant parts of the standard.

South African Institute of Chartered Accountants (2)

136. Option (b). Group specific requirements should be incorporated within each relevant part. This will make it easier for the auditor to apply to each stage of the audit as it progresses. It will also go well together with the already determined flow of the ISA for LCE.

137. In addition, the IAASB could consider supplementing the LCE standard with implementation guidance for group engagements. Such guidance could expand more on the qualitative considerations for complexity, over and above the proxies for complexity agreed upon by the IAASB.

8. Academics

Accounting and Finance Association of Australia and New Zealand

We believe that the relevant requirements relating to group audits should be presented within each relevant part.

To the extent that group audits may be included within the scope of a standalone standard for audits of less complex entities, we believe that the additional requirements be integrated within each relevant part of the standard. Moreover, research suggests that the understanding and integration of material is enhanced by grouping relevant material together in close proximity (e.g., O'Donnell and Schultz 2003), and this is facilitated by including the necessary additional material within each relevant part of the standard.

Section 5 – Group Audits\Question 26 - If group audits are included in ED-ISA for LCE, how should the relevant requirements be presented within the proposed standard\3) Unsure or Mixed

4. National Auditing Standard Setters

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

From our point of view, this a matter of technology. Part of our planning for the German LCE standards included considering the creation of modules of requirements for specific circumstances beyond the customization of our current draft German LCE standards (e.g., group audits and internal audit). When these modules apply, an auditor should be able to click that these modules apply, and the relevant requirements would then automatically be inserted into the appropriate places in German LCE standards. The IAASB may wish to consider such a technological approach so that the appropriate requirements are placed into the appropriate place within each part of its LCE standard.

If such technology is not readily available, another option we are considering for our German LCE standards is to add a module with the appropriate requirements in one place to the German LCE standards. If the IAASB followed this approach, it would involve adding a module (perhaps a separate Part) with the relevant requirements. This can even be done soon after the LCE standard without requirements for group audits has been issued to not delay the issuance of the LCE standard.

New Zealand Auditing and Assurance Standards Board

The NZAuASB has mixed views as to whether group requirements should be presented in a separate Part or within each relevant Part of the Standard, with no strong preference either way. We have heard that the New Zealand professional body, has similarly heard mixed views on the preference of presentation of the group audit requirements.

From our outreach events with auditors, most participants preferred the presentation of group audit requirements as a separate part in the proposed standard, although most participants did not consider the placement of the group audit requirements in the proposed standard to be of significant importance.

5. Accounting Firms

PKF International Limited

In our view, neither option above is preferable. Please see our response in 22 above, which summarises our preferred method of developing ISA requirements for less complex groups.

7. Professional Accountancy and Other Professional Organizations

Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants

We have heard mixed feedback on the options. Some practitioners favour keeping the requirements separate so that if a practitioner is not performing an engagement involving a group, they do not have to look at that part of the standard. Other practitioners prefer incorporating the requirements in the relevant sections of the audit process to ensure they are not missed. Some suggested that the group requirements could be formatted differently in each section to make them clear and enable those not performing group audits to exclude them easily.