

**CONFORMING AMENDMENTS ARISING RESULTING FROM PART 10, AUDITS OF  
GROUP FINANCIAL STATEMENTS**

Marked from the Exposure Draft of the proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities

**Preface ISA for LCE**

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**Format of the [Draft] ISA for LCE**

P.12. The [draft] ISA for LCE includes:

- The Authority (Part A), which sets out the circumstances for which the [draft] ISA for LCE is prohibited or not appropriate to use.
- Part 1, which sets out the fundamental concepts and overarching principles to be applied throughout the audit.
- Part 2, which sets out the general requirements for audit evidence and documentation, as well as the overall objective of the audit.
- Part 3, which sets out the auditor's and engagement partner's obligations and responsibilities for quality management in an audit of an LCE.
- Parts 4 to 9, which follow the flow of an audit engagement, and set out the detailed requirements for the audit. Each of these Parts also includes specific communication and documentation requirements as necessary.
- Part 10, which sets out special considerations that apply to an audit of group financial statements (a group audit). When the ISA for LCE applies to a group audit, the requirements and guidance in Part 10 refer to, or expand on the application of other relevant parts of the ISA for LCE to a group audit.
- Appendices, which include the glossary of terms used in this [draft] standard, assertions, an illustrative engagement letter and an illustrative representation letter, as well as other relevant supporting materials for implementation of the requirements within this [draft] standard.

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**Authority**

Conforming amendments to the Authority are included in the issues paper. See **Agenda Item 3**, Section I.

## **9. Forming an Opinion and Reporting**

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### **9.4. Auditor's Report**

9.4.1. The auditor shall report in accordance with the specified format and content below unless:

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#### **INDEPENDENT AUDITOR'S REPORT**

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#### **Auditor's Responsibilities for the Audit of the Financial Statements<sup>1 2</sup>**

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### **Glossary of Terms**

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**Aggregation risk**—The probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statement as a whole.

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**Component**—An entity, business unit, function or business activity, or some combination thereof, determined by the auditor for purposes of planning and performing audit procedures in a group audit.

**Component auditor**— An auditor who performs audit work related to a component for purposes of the group audit. A component auditor is a part of the engagement team for a group audit.

**Component management**—Management responsible for a component.

**Component performance materiality**—An amount set by the auditor to reduce aggregation risk to an appropriately low level for purposes of planning and performing audit procedures in relation to a component.

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**Group**—A reporting entity for which group financial statements are prepared.

**Group audit**— The audit of group financial statements.

<sup>1</sup> When the auditor disclaims an opinion on the financial statements, the description of the auditor's responsibilities only includes the matters required by paragraph 9.5.4.

<sup>2</sup> When Part 10 applies, further describe the auditor's responsibilities in a group audit engagement by stating that:

- (i) The auditor's responsibilities are to plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements;
- (ii) The auditor is responsible for the direction, supervision and review of the audit work performed for purposes of the group audit; and
- (iii) The auditor remains solely responsible for the auditor's opinion.

**Group financial statements**—Financial statements that include the financial information of more than one entity or business unit through a consolidation process. For purposes of the ISA for LCE, a consolidation process includes:

- (a) Consolidation, proportionate consolidation, or an equity method of accounting;
- (b) The presentation in combined financial statements of the financial information of entities or business units that have no parent but are under common control or common management; or
- (c) The aggregation of the financial information of entities or business units such as branches or divisions.

**Group management**—Management responsible for the preparation of the group financial statements.

**Group performance materiality**— Performance materiality in relation to the group financial statements as a whole, as determined by the auditor.

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