



**The Institute of
Chartered Accountants
of Pakistan**

**CA
PAKISTAN**

HEAD OFFICE

January 31, 2022

(submitted electronically)

Technical Director
The International Auditing and Assurance Standards Board (IAASB)
529, Fifth Avenue, NY 10017
New York, USA

Comments on the Exposure Draft '*Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities*'

The Institute of Chartered Accountants of Pakistan (ICAP) is pleased to comment on the Exposure Draft '*Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities*' (ISA for LCE) published by the International Auditing and Assurance Standards Board (IAASB).

We support the IAASB project and efforts in developing the ISA for LCE. Small and medium-sized entities compared to listed and public interest entities are generally less complex in terms of governance structure and operations. Auditors and other stakeholders have been raising concerns about the understandability and scalability of the International Standards on Auditing (ISAs) for the audits of small and medium sized entities. In this context, the IAASB proposed ISA for LCE is a significant development for the auditing profession.

We believe that ISA for LCE would address the concerns regarding scalability and complexity of the auditing standards for less complex audits. However, we also note that the proposed approach of a stand-alone ISA for LCE may lead to unintended consequences of establishing a two tiered auditing profession and creating a perception about the audits performed in accordance with the ISA for LCE as of less level of assurance and quality.

Our responses detailed by the questions contained in the Exposure Draft, are presented in the 'Appendix' to this letter.

We hope our comments are helpful to the IAASB's deliberation on the Exposure Draft.

Should you require further clarification on our comments, please contact the undersigned at farheen.mirza@icap.org.pk

Yours truly

Farheen Mirza
Senior Manager Technical Services

(Established under the Chartered Accountants Ordinance, 1961 - X of 1961)

Chartered Accountants Avenue, Clifton, Karachi-75600 (Pakistan). Ph: (92-21) 111-000-422, Fax: 99251626

Website: www.icap.org.pk, E-mail: info@icap.org.pk

ICAP comments on the questions contained in the Exposure Draft ‘Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities’

Specific Questions

Section 4A - Overarching Positioning of ED-ISA for LCE

1. Views are sought on:
 - (a) The standalone nature of the proposed standard, including detailing any areas of concern in applying the proposed standard, or possible obstacles that may impair this approach?

Response:

We agree with the IAASB’s approach to develop a separate standard for the audits of LCEs. In context of the structure and approach of the proposed standard we note that it follows the flow of audit and is based on the premise of core ISAs requirements using the risk-based approach. The proposed standard also covers the fundamental principles, emphasizing the need for use of professional judgement and exercise of professional scepticism. The structure and drafting of the proposed standard is expected to make it understandable and practicable for auditors.

We would also like to highlight that in order to make the proposed standard ‘fit for all’ audits of LCEs it is important that all aspects that in general are relevant and related to such audits are covered within the standard.

On the standalone nature of the standard we are concerned that this approach could lead to some new challenges and unintended results. It can create a perception risk i.e. the stakeholders perceiving that different categories of the assurances are provided under ISAs and ISA for LCE, and that the assurance provided under ISA for LCE is lesser level.

Further, the standalone status of ISA for LCE may trigger the fee reduction pressures from audit clients possibly leading to adverse impacts on client relationship and fee structures.

- (b) The title of the proposed standard.

Response:

Our suggestion for IAASB is to make the standard part of ISAs. The standard being a part of ISAs may be termed appropriately to make it distinguishable from other ISAs.

The suggested approach would also require some changes in the title of ‘Audits of Historical Information’ of the existing ISAs.

- (c) Any other matters related to ED-ISA for LCE as discussed in this section (Section 4A).

Response:

We understand that there may be challenges in the implementation of Authority of the proposed standard as discussed in section 4A. The issues are discussed in detail in the succeeding questions.

2. Do you agree with the proposed conforming amendments to the IAASB Preface (see paragraphs 39-40)? If not, why not, and what further changes may be needed?

Response:

We understand that the IAASB Preface facilitates in understanding of the scope and authority of the pronouncements that the IAASB issues, as described in the IAASB's Terms of Reference.

We agree with the proposed changes to the IAASB Preface to reflect the authority of the new standard for LCE.

Section 4B - Authority of the Standard

3. Views are sought on the Authority (or scope) of ED-ISA for LCE (Part A of the proposed standard). In particular:

- (a) Is the Authority as presented implementable? If not, why not?

Response:

We note that the Authority sets out the approach to the scope and applicability of ISA for LCE, including for which types of entities the proposed standard is intended to be used for.

The Authority (Part A), sets out the circumstances for which the proposed ISA for LCE is prohibited or not appropriate to use. We believe that scoping would be a critical aspect and a lot of debate from application and practical perspective would be around the scoping.

We note that paragraph A.7. sets out the classes of entities for which the use of the proposed standard is specifically prohibited. The classes of entities given in paragraph A.7 are outright prohibitions and are easy to understand and apply. However, we do not agree with the proposed approach of scoping out group audits from the standard (as per proposed scope, if the audit engagement is an audit of group financial statements, then the standard cannot be applied). Our comments on this are detailed under the specific question 22-26.

Paragraphs A.8 and A.9 of the proposed ISA for LCE set out qualitative characteristics of entities that could make them complex entities. We acknowledge that this would be an area of auditor's professional judgment. However, the scoping based on qualitative characteristics could result in differing views and application of the ISA for LCE. The decisions to scope-in or scope-out entities on the basis of qualitative characteristics could pose implementation challenges. For example, deciding the scoping based on absence or presence of complex accounting estimate would be subjective and two different auditors may have two different views. It is suggested that implementation guidance with illustrative examples is provided for common understanding and consistent application of the ISA for LCE.

Paragraph A.9 states that *"if there is uncertainty about whether an audit is an audit of the financial statements of an LCE, the use of the [draft] ISA for LCE is not appropriate"*. We believe that it is an important aspect and outcome of the auditor's professional judgment. In consideration of significance of this aspect, we suggest that a separate paragraph in the ISA for LCE discusses and covers this.

- (b) Are there unintended consequences that could arise that the IAASB has not yet considered?

Response:

We believe that transition from ISA for LCE to ISAs could become relevant and necessary in certain circumstances. For example, this would be necessitated when during the audit it is discovered that ISA for LCE is not appropriate because of complexity of entity's transactions and operations, and the auditor is required to transit and perform the audit in accordance with ISAs.

We understand that the proposed ISA for LCE does not discuss the practical aspect of transitioning. From practical side, transitioning from ISA for LCE to ISAs would generally require more audit efforts. There could be disputes between auditor and engaging party regarding increased time and effort and commercial considerations relating to audit fees. A delay in audit completion due to changed scope (i.e. from ISA for LCE to ISAs) may not result in cost effective audit. These potential challenges may deter auditors from electing and using the proposed standard for less complex audit clients.

Please also refer to our comments on question 13(a).

- (c) Are there specific areas within the Authority that are not clear?

Response:

On the matters explained in our response in questions 3(a) and 3(b) above, we believe that further explanation and implementation guidance would be helpful.

- (d) Will the Authority, as set out, achieve the intended objective of appropriately informing stakeholders about the scoping of the proposed standard?

Response:

We believe that the Authority sets a basis for determining the scope and applicability of the proposed standard. Under the Auditory, there are areas involving auditor judgment and possible divergent views among stakeholders (especially regulators and engaging parties). We believe that additional guidance material including the scenario-based examples would be useful for understanding of all stakeholders.

- (e) Is the proposed role of legislative or regulatory authorities or relevant local bodies with standard setting authority in individual jurisdictions clear and appropriate?

Response:

We note that the guidance on this area is appropriate and clear.

4. Do you agree with the proposed limitations relating to the use of ED-ISA for LCE? If not, why and what changes (clarifications, additions or other amendments) need to be made? Please distinguish your response between the:
- (a) Specific prohibitions; and
 - (b) Qualitative characteristic

If you provide comments in relation to the specific prohibitions or qualitative characteristics, it will be helpful to clearly indicate the specific item(s) which your comments relate to and, in the case of additions (completeness), be specific about the item(s) that you believe should be added and your reasons.

Response:

(a) Specific prohibitions

We agree with the specific prohibitions specified in paragraph A.7 (a to c) of the proposed standard.

However, we do not agree with the exclusion of group audits (mentioned in paragraph A.7 (d)) from the applicability of the proposed standard. We believe that not all group audits are complex. Small privately held entities could be less complex and these entities owing to their structure could be subject to a group audit. Prohibiting all group audits from the scope would limit the use of ISA for LCE.

Our detailed response on the group audits is provided under questions 22-26.

(b) Qualitative characteristics

In addition to our response in question 3(a) above, we believe that the qualitative characteristic given in paragraph A.9 of the Exposure Draft regarding the proposed standard being inappropriate for entities in new and emerging markets, or entities in the development stage, is too restrictive in nature. The relevant paragraph is reproduced below for reference:

“...The entity’s business activities, business model or the industry in which the entity operates results in pervasive risks that increase the complexity of the audit, such as when the entity operates in new or emerging markets, or entities in the development stage.”

We understand that there are many entities that are either in new or emerging markets or in the development stage, but otherwise would qualify for using the standard. We believe that irrespective of the development stage and maturity of the entity, if it meets all of the other characteristics of a less complex entity, it should not be prohibited from the applicability of the standard.

5. Regarding the Authority Supplemental Guide:

(a) Is the guide helpful in understanding the Authority? If not, why not?

Response:

The Supplemental Guide is helpful in understanding the Authority of the proposed standard.

(b) Are there other matters that should be included in the guide?

As discussed in our response in Q3 and Q4 above, we suggest to include additional guidance on the implementation of 'Qualitative Characteristics' provided in paragraph A.8 and A.9 of the proposed standard. Further the applicability of the proposed standard for NGOs/ NPOs should also be provided.

6. Are there any other matters related to the Authority that the IAASB should consider as it progresses ED-ISA for LCE to finalization?

No further comments.

Section 4C - Key Principles Used in Developing ED-ISA for LCE

7. Views are sought on the key principles used in developing ED-ISA for LCE as set out in this Section 4C. Please structure your response as follows:

(a) The approach to how the ISA requirements have been incorporated in the proposed standard (see paragraphs 74-77).

Response:

We note that the proposed ISA is based on the core concepts and requirements of the ISAs, requiring the auditor to form a reasonable assurance opinion.

(b) The approach to the objectives of each Part of the proposed standard (see paragraphs 78-80).

Response:

We agree with the principle-based approach of the proposed standard, which is similar to the ISAs.

(c) The principles in relation to professional skepticism and professional judgement, relevant ethical requirements and quality management (see paragraphs 81-84).

Response:

We agree with the inclusion of these principles in the proposed ISA for LCE.

(d) The approach to EEM (see paragraphs 85-91) including:

- (i) The content of the EEM, including whether it serves the purpose for which it is intended.
- (ii) The sufficiency of EEM.
- (iii) The way the EEM has been presented within the proposed standard.

Response:

The guidance provided in essential explanatory material (EEM) in the ISA for LCE is limited as compared to the application material provided in the ISAs.

We would suggest IAASB to consider expanding the EEM to include additional guidance material with examples. For example, in the specific focus areas (as explained in Part 7.4 of the proposed ISA) such as, going concern, related parties and accounting estimates etc., more EEM would be helpful.

Section 4D - Overall Design and Structure of ED-ISA for LCE

8. Please provide your views on the overall design and structure of ED-ISA for LCE., including where relevant, on the application of the drafting principles (paragraph 98-101).

Response:

We support the overall design and structure of the ISA for LCE.

The proposed ISA for LCE is based on the core requirements of ISAs which have been adapted to the nature and circumstances of the less complex entities. The structure of ISA for LCE follows the flow of financial statements audit engagement.

It is expected that the structure and drafting of the proposed standard would facilitate the auditors in understanding and practically applying the ISA for LCE.

Section 4E - Content of ED-ISA for LCE

9. Please provide your views on the content of each of **Parts 1 through 8** of ED-ISA for LCE, including the completeness of each part. In responding to this question, please distinguish your comments by using a subheading for each of the Parts of the proposed standard.

Response:

Part 1: Fundamental Concepts, General Principles and Overarching Requirements

- Section 1.4 of the draft ISA for LCE discusses the Fundamental Principles and General Principles for Performing the Audit.

This section uses the term 'relevant requirements'. Paragraph 1.4.3 relates to the exceptional circumstances where the auditor may judge to depart from a relevant requirement and perform alternative procedures. However, it is unclear whether those alternative procedures could be those listed in the ISAs. This needs to be clarified.

- Section 1.5.1(c) has EEM covering specific considerations for Public Sector Entities. We understand that this statement could be confusing as in some jurisdictions, the terms

Public Sector Entity and PIE are somewhat synonymous. Perhaps some context could be added to this section to make it clear that this is referring the entities that are not PIEs, and otherwise meet the criteria for using this standard.

- Section 1.6.3 covers noncompliance with laws and regulations (NOCLAR). IESBA Code of Ethics also covers requirements regarding NOCLAR that perhaps should be referenced in this section as a reminder that there are also ethical responsibilities related to NOCLAR that must be adhered to.

Part 2: Audit Evidence and Documentation

- It is suggested that key documentation requirements of each Part of proposed ISA are compiled in the tabular form, similar to Table C included in the proposed standard. This will be very helpful for the auditors of LCE to refer as and when needed.

Part 3: Engagement Quality Management

No comments.

Part 4: Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements

- We would like to highlight requirement of section 4.2.1 which states that:

“Consideration of further information throughout the audit may change the engagement partner’s determination about the appropriateness of the use of the [draft] ISA for LCE.”

We understand that the impacts of transitioning to full ISAs could have various impacts. It might involve fee re-negotiations and revised fees arrangements, disagreements with management or TCWG, need for extra resources and time to complete the audit on full ISAs basis.

- We suggest that a guidance to add a ‘transition clause’ in the engagement letter may consider to be added in this Part. This should discuss and cover the aspects such as mutual agreement between auditor and client on fees, resources and timelines.

Part 5: Planning

No comments

Part 6: Risk Identification and Assessment

- Risk assessment is a key area where we believe that the proposed standard could be made more scalable.
- We understand that ISA 315 (Revised 2019) includes a stand-back requirement. We understand that the stand-back requirement (as mentioned in paragraph 116 of the Explanatory Memorandum of proposed ISA for LCE) may be retained in the proposed standard since it involves exercise of professional skepticism.

- Identifying and assessing the risks of material misstatements needs more guidance/application material for situations where a less complex entity lacks internal control system and resultant impact on the nature, timing and extent of substantive procedures (detailed and analytical both) and other general audit procedures is not attributable.

Part 7: Responding to Assessed Risks of Material Misstatement

- Paragraph 7.3.21(c) on external confirmations requires “*Sending the requests, including follow-up requests when applicable, to the confirming party*”.

Sending the requests could be interpreted by some as a printed confirmation via mail only. Electronic medium is a more efficient method of sending requests to the confirming parties and getting back their responses. It is suggested to further elaborate the above noted paragraph of ISA for LCE. Paragraph 6 of ISA 505 specifically mentions that an external confirmation can be in paper form, or by electronic or other medium. We accordingly propose to add ‘*in paper form or by electronic or other medium*’ after the words ‘*follow-up requests*’ in paragraph 7.3.21(c) of the proposed ISA.

- Going concern is covered as one of the specific focus area in Part 7 of the ED-ISA for LCE.

Going concern related issues could be relevant and common to less complex entities. The content and discussion on going concern needs further expansion to holistically cover this important subject. For example, discussion on period beyond management’s assessment and additional audit procedures when events or conditions are identified would be equally relevant to the audits of less complex entities.

Part 8: Concluding

No comments.

10. For **Part 9**, do you agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements, including:

- (a) The presentation, content and completeness of Part 9.

Response:

We agree with the presentation, content and completeness of Part 9 of the proposed standard. We believe that the only difference between an auditors’ report issued under the ISAs and under the proposed ISA for LCE would be the framework used to provide a basis for the audit opinion.

- (b) The approach to include a specified format and content of an unmodified auditor’s report as a requirement?

Response:

Yes, we believe that the specified format and content of an unmodified auditors’ report

should be included as a requirement rather than presented as supplemental material. However, we propose to include a title of section 'other legal and regulatory requirements' in the sample unmodified auditor's report.

Further, the tables included in section 9 are quite helpful in understanding the requirements which may lead to modified auditor's opinion.

- (c) The approach to providing example auditor's reports in the Reporting Supplemental Guide.

Response:

We agree to include illustrations of auditor's reports in the Supplemental Guide - Auditor Reporting.

11. With regard to the Reporting Supplemental Guide:

- (a) Is the support material helpful, and if not, why not?

Response:

Yes, we believe that the Supplemental Guide on Auditor Reporting is helpful.

- (b) Are there any other matters that should be included in relation to reporting?

No comment.

12. Are there any areas within Parts 1-9 of the proposed standard where, in your view, the standard can be improved? If so, provide your reasons and describe any such improvements. It will be helpful if you clearly indicate the specific Part(s) which your comments relate to.

Response:

Our detail comments are given under question 9.

Section 4F - Other Matters

13. Please provide your views on transitioning:

- (a) Are there any aspects of the proposed standard, further to what has been described above, that may create challenges for transitioning to the ISAs?

Response:

We note that the process of transitioning to the ISAs has been adequately explained in the ED-ISA for LCE.

The auditors may face risks of transitioning (such as disagreements with management, renegotiation of audit fee renegotiations and delays in the audit completion and issuance of the audit report). The potential risks, including risk of adverse client relationship may

result in auditor's reluctance to use ISA for LCE altogether or when using the ISA for LCE the auditor may be inclined towards not transitioning.

- (b) What support materials would assist in addressing these challenges?

Response:

We understand that the IAASB would be providing additional implementation guidance material on transitioning. Guidance material containing examples of common scenarios leading to a switch in the auditing framework would be helpful for auditors of less complex entities.

14. Do you agree with the proposed approach to the future updates and maintenance of the Standard and related supplemental guidance?

Response:

The content of ED -ISA for LCE is linked to and based on the ISAs. We agree with proposed approach of maintaining a stable platform and amending the ISA for LCE when projects to revise ISAs are undertaken. IAASB can also set a period of 2-3 years for the post implementation review of this major change in the auditing framework.

15. For any subsequent revisions to the standard once effective, should early adoption be allowed? If not, why not?

Response:

Once finalised the ISA for LCE would be a new and significant development for the auditing profession, aimed primarily to facilitate the auditors of less complex entities. We believe that the applicability of proposed standard should be made when stakeholders are reasonably expected to be familiar and knowledgeable about the requirements of the ISA for LCE.

The option of early adoption may result in a mixed approach. An auditor would be early adopting the ISA for LCE for a particular engagement, while same auditor would not be early adopting the ISA for LCE on another engagement. This situation might create confusion among auditors, entities and other stakeholders.

In our view early adoption should not be allowed to reduce confusion and ensure consistent understanding and application.

16. Should a separate Part on the ISA-800 series be included within ED-ISA for LCE? Please provide reasons for your response.

Response:

ISA-800 series is widely used due to varied need and utility of specialized reportings and auditors reports thereon.

Less complex entities could be required to prepare reportings as per special purpose framework.

In case the ISA for LCE is based on the approach of a standalone standard then part of the ISA-800 series should be included within the ISA for LCE. On the other hand, if ISA for LCE is not made part of ISAs then ISA-800 series can be linked to cover the less complex entities.

17. In your view, would ED-ISA for LCE meet the needs of users and other stakeholders for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion and for which the proposed standard has been developed? If not, why not. Please structure your comments to this question as follows:

- (a) Whether the proposed standard can, and will, be used in your jurisdiction.

Response:

We support the IAASB in developing this ED-ISA for LCE. We have noted few significant concerns on the standalone approach of the ISA for LCE. However, we are optimistic that auditors will use the ISA for LCE in our jurisdiction.

- (b) Whether the proposed standard meets the needs of auditors, audited entities, users of audited financial statements and other stakeholders.

Response:

We believe that the proposed standard meets the needs of auditors and other stakeholders by providing a less complex framework to use when performing audits of less complex entities. However, as discussed in our earlier comments, additional guidance material on certain matters would be useful for all stakeholders.

- (c) Whether there are aspects of the proposed standard that may create challenges for implementation (if so, how such challenges may be addressed).

Response:

- Audit firms would need to develop their audit methodologies for audit of less complex entities. Therefore, adequate training of auditors and awareness of audit clients about the scope of proposed standard is necessary for the effective implementation.
- There is also a risk that stakeholders' perception could be different for the proposed ISA as compared to full ISAs based audit. Users may perceive this as low quality audit and may recognize that less auditor's time and efforts will be applied for the audit of less complex entities. Therefore, auditor may expect lower audit fees for audit of less complex entity as compared to non-complex entity.

For this challenge, we suggest that more guidance material and training would be helpful to deal with the stakeholders' perception about the lower level of assurance level, by explaining them this is not an inferior quality audit and same level of reasonable assurance would be given by auditor for ISA for LCE based audit as given to ISAs based audit.

- There is also a possibility that there could be diversity in practice at the firms' level when this standard would become applicable.

18. Are there any other matters related to ED-ISA for LCE that the IAASB should consider as it progresses the proposed standard to finalization?

No further comments.

Section 4G - Approach to Consultation and Finalization

19. What support and guidance would be useful when implementing the proposed standard?

Response:

We believe that the implementation support at both the IAASB level and at local jurisdiction level would be needed for developing understanding and supporting implementation of ISA for LCE.

The implementation support could involve roundtable discussions, webinars and issuance of guidance materials.

Besides auditors, the clients and regulators also need to be engaged in developing an understanding about the use of new auditing standard. In this context the regulatory understanding and support would be of significant importance.

20. Translations—recognizing that many respondents may intend to translate the final ISA for LCE in their own environments, the IAASB welcomes comment on potential translation issues noted in reviewing ED-ISA for LCE.

Response:

In Pakistan, 'English' version of IAASB pronouncements are adopted and used. The question is not relevant in our case.

21. Effective Date—Recognizing ISA for LCE is a new standard, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning at least 18 months after the approval of a final standard. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA for LCE.

Response:

We suggest that the effective date of the standard is set for financial reporting periods beginning at least 24 months after the approval of a final standard.

Section 5 - Group Audits

22. The IAASB is looking for views on whether group audits should be excluded from (or included in) the scope of ED-ISA for LCE. Please provide reasons for your answer.

Response:

We believe that the group audits should not be excluded outrightly from the scope of the proposed ISA for LCE.

We believe that not all group audits are complex. In Pakistan, we note that there are various sizes and types of groups, and there are small groups with simple structure and non-complex operations. They may fall under the scope of the proposed standard. For such groups, ISA for LCE could be relevant and adequate auditing standard. We support the inclusion of group audits where the group entity meets certain criteria (for example, qualitative characteristic may include size, complexity, and the reporting structure of the entities involved in the group).

23. 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:

- (a) Would you use the standard if group audits are excluded? If not, why not?
- (b) Approximately what % of the audits within your firm or practice would be group audits that would likely be able to use ED-ISA for LCE (i.e., because it is likely that such group audits could be considered less complex entities for the purpose of the proposed standard) except for the specific exclusion?
- (c) What common examples of group structures and circumstances within your practice would be considered a less complex group.

Response: the question is not relevant for us.

24. If group audits are to be included in the scope of ED-ISA for LCE, the IAASB is looking for views about how should be done (please provide reasons for your preferred option):

- (a) The IAASB establishes a proxy(ies) for complexity for when the proposed standard may be used ("Option 1 - see paragraph 169); or
- (b) ED-ISA for LCE sets out qualitative characteristics for complexity specific to groups (Option 2 - see paragraph 176), to help users of the proposed standard to determine themselves whether a group would meet the complexity threshold.

Response:

We note that the options given in the ED-ISA for LCE have both pros and cons, which are discussed below:

Option 1:

We understand that in this option, a “cut-off” or threshold would be used for example, involvement of component auditors or entities situated in multiple locations. We believe that this option would involve less use of significant judgment to determine the complexity of the group.

Further, in this option, only certain requirements from ISA 600 (Revised) that are relevant for a group audit engagement would need to be incorporated (for example, if the cut-off is the involvement of component auditors, then requirements relating to the work of component auditors could be omitted).

Therefore, this option would be easier to apply.

Option 2:

This option would allow the he auditor to consider whether there are matters that give rise to complexity specific to the nature and circumstances of the group entity. This approach is expected to involve more judgment and documentation about the determination of the appropriateness of using the proposed ISA for LCE. Further, if IAASB opts to use this option, it may require inclusion of all core requirements of ISA 600 (Revised) which may add substantial length to the proposed ISA.

25. 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?

No further comments.

26. 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.

Response:

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.