

Name of Respondent:	Assurance Standards & Research Group 1
Organization (where relevant):	Korean Institute of Certified Public Accountants (KICPA)
Country/Region/Jurisdiction:	Korea

General Comments on Proposed ISA for LCE

We, at the Korean Institute of Certified Public Accountants (KICPA), thank the IAASB, International Auditing and Assurance Standards Board, for its efforts to define and develop the International Standards on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) and to seek input from relevant stakeholders. The KICPA fully agrees with the IAASB on the direction of the ISA for LCE development and is willing to provide full support to help the IAASB in ensuring the proposed standard is used as a useful standard in practical audit activities. We, however, identified areas of improvement as described below based on input gathered from stakeholders to enhance the usability of the proposed standard. The identified areas of improvement informed the answers we provide to each question as below.

- (1) Need to enhance clarity and consistency in determining an entity as LCE
- (2) Need to refine the requirements further to make them more suitable for the nature and circumstances of LCE

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?
 - (b) The title of the proposed standard.
 - (c) Any other matters related to ED-ISA for LCE as discussed in this section (Section 4A).

- (a) In principle, we agree with development of ISA for LCE as a standalone standard.

However, there may be a need to consider allowing reference back to the ISA in limited circumstances when accounting estimates involving complex modeling is discovered (“module” approach described in paragraph 138 of Explanatory Memorandum).

For example, according to paragraph 137 of Explanatory Memorandum, if a complex accounting estimate is discovered that involves complex modeling, the use of the ISA for LCE shall be excluded without considering other elements, because it was not considered when designing the ISA for LCE. However, if there is no fundamental change in an entity’s level of complexity, i.e., when there is only one exceptional accounting estimate involving complex modeling, it doesn’t appear to be appropriate to exclude the use of the ISA for LCE completely. There is a need to allow referencing to relevant ISA requirements only in such limited circumstances.

In such limited circumstances, it is not appropriate to use the ISA even from the perspective of information users as set forth in paragraph 28(a) of Explanatory Memorandum. And if a ‘module’ approach is used and it is indicated in the auditor’s report that the ISA for LCE is used, it is not inappropriate to refer to the ISAs in the auditor’s report even when the audit has not

fully complied with all ISAs relevant to the audit. Furthermore, only in such limited circumstances, it is deemed to be possible to identify additional discrete modules of “incremental requirements” described in paragraph 138 of Explanatory Memorandum.

Some have views that it is more appropriate to include the requirements on complex modeling in the ISA for LCE (See the answer to Question 12).

- (b) We agree with the title of the proposed standard, “International Standards on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)”.
 - (c) We have no other opinions on other matters related to ED-ISA for LCE as discussed in Section 4A.
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?

We agree with the proposed conforming amendments to the IAASB Preface.

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?
 - (b) Are there unintended consequences that could arise that the IAASB has not yet considered?
 - (c) Are there specific areas within the Authority that are not clear?
 - (d) Will the Authority, as set out, achieve the intended objective of appropriately informing stakeholders about the scoping of the proposed standard?
 - (e) Is the proposed role of legislative or regulatory authorities or relevant local bodies with standard setting authority in individual jurisdictions clear and appropriate?
- (a) The Authority is generally deemed implementable as presented. However, challenges described in (b)~(e) below are expected when it is implemented.
- (b) We fully understand that the IAASB has made strenuous efforts to set the Authority of the standards in a way to obtain a balance between being too prescriptive and allowing too much judgement in determining whether the proposed standard is appropriate to use (paragraph 47 of Explanatory Memorandum). However, the prevailing view among domestic stakeholders is that significant level of judgment is likely to be involved in determining whether the ISA for LCE is appropriate to use because the qualitative characteristics described in paragraphs A.8 - A.9 are still abstract. Exercising a significant level of judgment in determining whether an entity is an LCE or not may cause problems as below.
- Different engagement teams may make different judgements about similar situations, which leads to confusion. For example, if an engagement partner or auditor is replaced, the incoming partner or auditor may make a different judgement about the same situation.

- The auditor faces far more serious consequences if he or she determines a non- LCE as an LCE than the other way around. As a result, the auditor may avoid making decision even when necessary, and tends to choose not to use the ISA for LCE. This tendency may be encouraged by the requirement in paragraph A.9 of Explanatory Memorandum “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”.
 - Different stakeholders may make different judgments as to whether an entity is an LCE or not, which may become a source of conflict. For example, as whether or not to use the ISA for LCE has impact on audit time, fees, and an entity’s efforts to handle audit, the entity may challenge the auditor’s determination as to whether the entity is an LCE or not. In addition, the regulator may disagree with the auditor on determination of LCE.
- (c) First part of paragraph A.9 of Explanatory Memorandum prescribes “the [draft] ISA for LCE is inappropriate for the audit of the financial statements if an entity exhibits one or more of the following characteristics”, whereas the latter part of the same paragraph explains “the matters described in the list are intended to be considered both individually and in combination. The presence of one characteristic exhibited by an entity does not necessarily exclude the use of the [draft] ISA for LCE for that entity. There is inconsistency between the first part and latter part of the same paragraph.

Furthermore, there is lack of clarity about how each matter can be considered in combination and about when the ISA for LCE can be used for an entity even though the entity exhibits one of the described characteristics.

Paragraphs 26, 133, 155 of Explanatory Memorandum prescribes that “while the presence of one ‘complexity’ characteristic exhibited by an entity does not necessarily exclude the use of ED-ISA for LCE for that entity, it would not be appropriate to continue performing the audit under the proposed standard if the complex matter or circumstance identified has not been contemplated in the design of ED-ISA for LCE”. These paragraphs indicate that ‘any matter not contemplated in the design of ED-ISA for LCE can’ t be considered in combination and presence of one such matter would exclude the use of ISA for LCE.

However, the ISA for LCE doesn’t clearly describe ‘what are the matters not contemplated in the design of ISA for LCE’. Paragraph A.8 simply describes that “such characteristics are indicators of, proxies for, matters or circumstances for which the ISA for LCE has not been designed to address”. Based on paragraph A.8, the characteristics listed in paragraph A.9 appear to be the indicators of or proxies for ‘the matters or circumstances for which the ISA for LCE has not been designed to address.’ Therefore, what the Explanatory Memorandum implies is that the presence of only one of the characteristics described in paragraph A.9 would exclude the use of ISA for LCE, which conflicts with what is described in the latter part of paragraph A.9.

Thus, we believe that the standard needs to be revised to prevent confusion and make it clearer if the qualitative characteristics are going to be listed in the way they are. In particular, detailed explanation should be added to the ED or supplementary guidance needs to be provided to add clarity about (1) how each matter can be considered in combination, (2) circumstance where the ISA for LCE can be used even in case of the presence of listed characteristics, and (3) matters that can’t be considered in combination or circumstances where matters can’t be considered in combination.

- (d) As noted in (b), domestic stakeholders believe that a significant level of judgment is required with regard to the qualitative characteristics listed in paragraphs A.8 and A.9, making it challenging to achieve the objective of the Authority. Qualitative characteristics need to be more clearly defined to reduce involvement of judgement.

(e) The proposed roles of the relevant authorities or bodies are relatively 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 characteristics.

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.

(a) We agree with all the specific prohibitions, except for 'the auditor of group financial statements.

(b) We agree with the overall qualitative characteristics proposed in the ED-ISA for LCE. However, as noted in the answer to Question 3, there are significant concerns that current qualitative characteristics are abstract and hard to judge. Such concerns don't seem to be resolved even by the supplemental guidance. We want the qualitative characteristics to be revised to make them more specific, hence less room for exercising judgment. For example, it may be useful to consider following options.

- Refining the qualitative characteristics proposed in A.9 in a way that they can be more intuitive or quantifiable (e.g., involving general risks that add to complexity of audit → multiple products/services and geographically decentralized production/sales) or adding such characteristics (e.g., presence of internal audit function)
- Presenting the characteristics of auditors or audit engagement (e.g., audit hours, use of external experts) as proxies for complexity as audit efforts increase if an entity has a higher level of complexity
- Adding not only typical examples but also more diverse examples to the supplemental guidance and providing the case studies illustrating how professional judgment is exercised in situations when comprehensive judgement is required

5. Regarding the Authority Supplemental Guide:
- (a) Is the guide helpful in understanding the Authority? If not, why not?
 - (b) Are there other matters that should be included in the guide?
- (a) The Authority Supplemental Guide is helpful in understanding the Authority of the Guide.
- (b) Examples of how each qualitative characteristic is considered in combination; examples of situations when the ISA for LCE can be used although listed characteristics are demonstrated (see the answer to Question 3(c)); and diverse non-typical examples and case studies illustrating how professional judgment is exercised (see the answer to Question 4(b)).
6. Are there any other matters related to the Authority that the IAASB should consider as it progresses ED-ISA for LCE to finalization?

There is no consideration needed other than those described in the answers above.

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).
 - (b) The approach to the objectives of each Part of the proposed standard (see paragraphs 78-80).
 - (c) The principles in relation to professional skepticism and professional judgement, relevant ethical requirements and quality management (see paragraphs 81-84).
 - (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.
- (a) We agree with the IAASB's approach to how the ISA requirements have been used as the basis for the proposed ISA for LCE requirements. However, we do see a need to further refine some requirements to make them more suitable for 'the nature and circumstances of Less Complex Entities' (see the answer to Question 9)
- (b) We agree with the approach of the ED-ISA for LCE.
- (c) We agree with the principles of the ED-ISA for LCE.
- (d) We generally agree with the approach to EEM. However, some local auditors have views that a separate 'Supplemental Guidance' or others are needed to illustrate specific examples as auditors may face challenges in applying the standard to their practical audit activities due to lack of specific examples.

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).

We agree with the overall design and structure of ED-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.

Auditors auditing Less Complex Entities express concerns that there would be little difference between audits performed under the ISA for LCE and audits performed under the ISAs as the ISA for LCE largely contains same key requirements as ISAs with some adjustments made only to enhance readability. More bold adjustments appear to be needed considering the ‘nature and circumstance of Less Complex Entities’ to ensure that adoption of the ISA for LCE can lead to meaningful changes in practical audit activities. Many auditors want the ISA requirements to be adjusted more fundamentally to make them more suitable for the nature of LCE as long as there is no issue in obtaining reasonable assurance.

For example, changes described as follows can be considered. The list of examples below is not exhaustive. There is a need to revisit the entire standard, rather than making adjustments of specific matters only.

Chapter 5. Planning

Concerning determination of the materiality amount described in 5.3., LCEs involve a small number of information users who often rely on the materiality standard developed based on impact on public interest, etc., and released by public authorities (e.g., regulatory authorities) as important criteria for decision-making. Therefore, the EEM or other materials need to provide the criteria that is developed based on such publicly available standard to guide the decision of the materiality amount.

Chapter 6. Risk identification and Assessment

LCEs, by nature, can achieve their goals of identifying and assessing risks with simpler procedures than complex entities. Therefore, the auditors of LCEs need to have greater discretion in performing risk assessment procedures or limited or specific risk assessment procedures need to be prescribed.

For example, if an entity is less complex, its control activities are not sufficiently designed and operated. So, auditors often choose audit strategies aimed to strengthen substantive procedures, rather than relying on controls, as they believe the control risk is high. Therefore, the ISA for LCE needs to skip or minimize the procedures of understanding and testing controls as the high control risk is a ‘default condition’ in the LCE. There is a need to consider some relevant options including allowing auditors to decide whether or not to perform the procedure of understanding and assessing the entity-level controls described in 6.3.6~6.3.8.

In LCEs, management monitoring often substitutes for formal control procedures and such management procedures partially mitigate the control risk. Thus, it can be useful to test such management procedures, instead of control activities, and incorporate test results into determination of the nature, timing and scope of substantive procedures.

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.

- (b) The approach to include a specified format and content of an unmodified auditor's report as a requirement?
- (c) The approach to providing example auditor's reports in the Reporting Supplemental Guide.

We agree with the approach taken in ED-ISA for LCE with regard to auditor reporting requirements and its approach to include a specified format and content of an unmodified auditor's report as part of a requirement and to provide example auditor's reports in the Reporting Supplemental Guide.

However, we believe that guidelines or examples on auditor reporting should be included in case the auditing standard used for current period is different from the one used for the previous period with regard to 9.7. Comparative Information, as described in paragraph 140 of Explanatory Memorandum.

11. With regard to the Reporting Supplemental Guide:

- (a) Is the support material helpful, and if not, why not?
- (b) Are there any other matters that should be included in relation to reporting?
 - (a) The Reporting Supplemental Guide is helpful.
 - (b) Example auditor's reports would be helpful for initial engagement in case the auditing standard used for the current period is different from the one used for the previous period with regard to comparative information.

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.

In our opinion, the proposed standard can be improved as described below, in addition to those outlined in the answer to Question 9.

Chapter 4. Acceptance or Continuance of an Audit Engagement and Initial Audit Engagements

Paragraph 4.2. requires the engagement partner to determine whether the audit engagement can be undertaken using the ISA for LCE. This level of responsibility is disproportionately higher than the level of responsibility the engagement partner has with regard to acceptance and continuance of client relationships and audit engagement under ISA 220.

Under ISA 220, the engagement partner shall be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and audit engagements have been followed and shall determine that conclusions reached in this regard are appropriate (paragraph 12). And if the engagement partner obtains information that would have caused the firm to decline the audit engagement had that information been available earlier, the engagement partner shall only communicate that information promptly to the firm so that the firm and the engagement partner can take the necessary action (paragraph 13). The ultimate responsibility for acceptance and continuance of client relationships and audit engagements lies with the firm.

In this light, we believe that it is appropriate for the engagement partner to have a similar level of responsibility as the one required under ISA 220 whereas the firm takes the ultimate responsibility to determine using the system of quality control whether an audit engagement can be undertaken using the ISA for LCE. This approach is deemed to be helpful in maintaining consistency in

judgements across different engagement teams.

Chapter 7. Responding to Assessed Risks of Material Misstatement

With regard to paragraph 7.4.26, it is more likely for LCEs to purchase and use commoditized services (e.g., maintenance/management of off-the-shelf software) rather than directly engage a service organization, which means auditors may often rely on type 1 or type 2 reports. Therefore, in our opinion, requirements relating to an auditor's ability to rely on type 1 and type 2 reports should be included.

Chapter 8. Concluding

With regard to 8.4.6., in some countries (including Korea), LCEs' financial statements may also be often amended due to local laws and regulations after the date of the financial statements. Therefore, we hope that the requirements on management amendments of financial statements after the date of the financial statements are included.

With regard to requirements on close call described in 8.5.10, relevant events rarely happen in the context of LCEs. Furthermore, the financial reporting standard applicable to LCEs often don't specifically require disclosure. In this regard, such requirements are likely to cause unnecessary confusion. We want these requirements to be excluded from the standard.

Requirements concerning accounting estimates involving 'complex modeling'

According to paragraph 137 of Explanatory Memorandum, if a complex accounting estimate is discovered that involves complex modeling, the use of the ISA for LCE shall be immediately excluded for this sole reason, because it was not considered in design of the ISA for LCE. This is a disproportionately strict requirement considering that, according to paragraph A.9 of Explanatory Memorandum, the matters described in the list are intended to be considered both individually and in combination. The presence of one characteristic exhibited by an entity does not necessarily exclude the use of the [draft] ISA for LCE for that entity.

Paragraph 137 of Explanatory Memorandum explains that such strict requirement is included because 'complex modelling' was not considered in design of the ISA for LCE. However, in some exceptional cases, accounting estimates involving complex modelling can be discovered in an entity that has all the other characteristics of LCE. Thus, 'complex modeling' should also be considered in combination in the same manner as how other matters are treated, instead of excluding the use of the ISA for LCE completely just because of the presence of one such characteristic. There is no need to treat complex modeling differently from other qualitative characteristics.

Therefore, we want the ISA for LCE to be amended in a way that 'complex modeling' can be considered in combination in the same manner as other qualitative characteristics are considered. For example,

- i. Requirement concerning complex modeling can be included in the ISA for LCE

'Complex modeling' could be considered in combination without excluding the use of the ISA for LCE immediately if the requirement concerning 'complex modeling' had been considered in the design of the ISA for LCE. 'Complex modeling' ends up becoming a very strict requirement as a result of not including it in the ISA for LCE.

There is a substantial downside caused by not including the requirement concerning complex modeling in the ISA for LCE. However, including the requirement in the ISA for LCE doesn't increase burden on auditors as it shall only apply in the presence of such modeling. We propose that the requirement concerning complex modeling should be included in the ISA for LCE. With all due respect, we ask for your reconsideration.
- ii. Reference to ISAs can be allowed in limited circumstances (see the answer to Question 1).

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

- (a) Transitioning from the ISA for LCE to ISAs in the middle of an audit may make it difficult to identify additional procedures that should be performed as a result of such transition, and create significant pressure on auditors. In particular, determination to transition to the ISAs in the later stage of an audit may make it difficult to complete the audit in a timely manner.

It is also not clear if there is any required procedure to perform in case the current auditor in an initial audit engagement makes different judgement from the one made by the predecessor auditor, and when such transition is required in a continuing audit engagement given that characteristics of an entity don't change overnight.

- (b) It will be helpful if some examples are provided to illustrate in detail how to apply the procedures described in paragraph 139 of Explanatory Memorandum. We ask the IAASB to reconsider if there is any circumstance where the 'module' approach (paragraph 138 of Explanatory Memorandum) can be inherently applied and if there is any way to include the requirement concerning complex modeling in the ISA for LCE (See the answer to Question 1(a)).

Furthermore, we propose additional requirements or supplementary materials be provided to explain the required procedures when the current auditor in an initial audit engagement makes a different judgment from the previous auditor, and circumstance where transition to the ISA is required in a continuing audit engagement.

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

We agree with the approach proposed by the IAASB.

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

Need for early adoption depends on the nature of subsequent revision. Therefore, we propose that early adoption be allowed on a case-by-case basis, rather than making decision to allow early adoption in advance, so that it can be allowed if necessary.

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

We believe that it is recommended that the ISA-800 series be included within the ISA for LCE. The ISA-800 series is applicable to entities regardless of their level of complexity. Thus, less complex entities should also be able to apply the ISA-800 series.

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.
- (b) Whether the proposed standard meets the needs of auditors, audited entities, users of audited financial statements and other stakeholders.
- (c) Whether there are aspects of the proposed standard that may create challenges for implementation (if so, how such challenges may be addressed).

- (a) We believe that the proposed standard can and will be used in Korea.
- (b) Auditors who perform audits on financial statements of Less Complex Entities express concerns that the ISA for LCE contains largely same requirements as the ISAs. They ask why they would need to adopt or use the ISA for LCE, considering that the use of ISA for LCE does not sufficiently reduce burden on auditors (See the answer to Question 9).
- (c) The biggest challenge lies in determining whether an entity is within the scope of the ISA for LCE application. Improvements are required to reduce the room for judgement and ensure consistency in scope of application (See the answers to questions 3~5)

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?

We agree with the overall design and structure of the ED-ISA for LCE if it is developed as a standalone standard.

Section 4G - Approach to Consultation and Finalization

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

Following supplementary materials and guides would be helpful.

- Separate 'Supplemental Guidance' illustrating in detail how procedures are applied, especially specific examples of risk identification and assessment procedure.
- Examples illustrating in detail how transition procedures are applied. Example auditor's reports showing comparative information after transition.

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.

No translation issues have been identified during review of the ED-ISA for LCE.

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.

We believe that the effective date proposed by the IAASB in the ED-ISA for LCE would provide a sufficient period to support effective implementation of the ISA for LCE.

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.

Group audits should be included in the scope of ISA for LCE. Many group financial statements are not complex, including simple consolidation of 100% wholly owned subsidiaries that are engaged in the same industry. It is not appropriate to fundamentally ban the use of ISA for LCE for audits of group financial statements because such ban would result in excluding too many entities from the scope of application.

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.

N.A.

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.

We support option (b). Most of the qualitative characteristics applicable to an individual entity can be applied to audits of group financial statements as well, with the only difference being that the qualitative characteristics are considered at a group level, instead of an individual entity level.

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?

We have no additional suggestion.

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.

We don't have any preference for either (a) or (b).