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Wednesday, 26 April 2023

Mr. Willie Botha
Program and Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
529 5th Avenue,
New York, New York 10017 USA

Via online submission: www.iaasb.org

Dear Willie,

Exposure Draft: Proposed Part 10, Audits of Group Financial Statements of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 170,000 members working in over 100 countries and regions around the world. We welcome the opportunity to provide a submission on the Exposure Draft: Proposed Part 10, Audits of Group Financial Statements of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) and Proposed Conforming Amendments (the ED). We make this submission on behalf of our members and in the broader public interest.

We agree with the International Auditing and Assurance Standards Board (IAASB) decision to reconsider the inclusion of group audits in the scope of the ISA for LCE as a separate section (Part 10). We are of the view that including less complex group audits that meet the appropriate criteria will increase the adoption and use of the ISA for LCE globally.

In our [previous submission](#) to the proposed ISA for LCE consultation, we expressed a view that we supported inclusion of group audits if there is no involvement of component auditors in LCE group audits. However, we have reconsidered this view. Having received further feedback from our members and stakeholder, we believe it would be more appropriate to take a principles-based approach to LCE group audits. We are of the view that there could be some circumstances where component auditors may be necessary as part of an LCE group audit. Accordingly, we suggest that rather than a blanket prohibition on the use of component auditors, this should be left to the professional judgement of the group auditor.

Our detailed responses to the questions raised in the consultation paper are provided in the **Attachment** to this letter. Should you have any questions about the matters raised in this submission or wish to discuss them further, please Tiffany Tan, Audit and Assurance Policy Lead at tiffany.tan@cpaaustralia.com.au.

Yours sincerely,

Dr Gary Pflugrath FCPA
Executive General Manager,
Policy and Advocacy



Attachment

1. In the Authority, do you agree with the proposed prohibition on the use of the proposed ISA for LCE for group audits where component auditors are involved, other than in limited circumstances where physical presence is required?

We disagree with the restrictive circumstances in which component auditors can be used.

We appreciate the IAASB's intention to make it simpler to apply the ISA for LCE for group audits by proposing a prohibition over the use of component auditors. As noted in the cover letter, based on further feedback we have received, the assessment of the need for component auditors for less complex group audits should be based on the complexity of the group. The prohibition restricts the use of component auditors to circumstances where physical presence is required to undertake specific audit procedures. In our view, there will be instances where component auditors may be required, for a range of circumstances not limited to what is currently proposed (e.g., the audit of an entire overseas component) due to practical considerations.

Therefore, we recommend that the IAASB removes the proposed prohibition from the ED and requires the group auditor to exercise professional judgement with respect to whether component auditors are required in certain circumstances. To overcome potential issues, such as inconsistency in applying the proposed group audit requirements in the ISA for LCE, we recommend that the IAASB develops and issues non-authoritative implementation guidance outlining common scenarios where the use of component auditors is appropriate for less complex group audits. The guidance material could include more granular group-specific examples of qualitative and quantitative characteristics based on given scenarios that could support an auditor's assessment of the need for component auditors.

2. In the Authority, do you agree with the proposed group-specific qualitative characteristics to describe the scope of group audits for which the proposed ISA for LCE is designed to be used?

We agree. We are of the view that the additional characteristics to describe the scope of group audits are appropriate.

3. Do you agree with the content of proposed Part 10 and related conforming amendments?

We generally agree with the content of proposed Part 10 and related conforming amendments, except for the issues discussed in Question 1 above.