

April 21, 2023
International Auditing and Assurance Standards Board
International Federation of Accountants
529 5th Avenue
New York, NY 10017, USA

■ KICPA's comments on "Proposed Part 10, ISA for LCE"

The KICPA is pleased to have an opportunity to comment on the Exposure Draft issued by the International Auditing and Assurance Standards Board for Accountants (IAASB), regarding the Proposed Part 10, ISA for LCE. KICPA is a strong advocate of IAASB for your relentless efforts to serve the public interest by setting high-quality international standards for auditing, assurance, and other related standards, and by facilitating the convergence of international and national auditing and assurance standards.

Respondents are asked to comment on the clarity, understandability and practicality of application of proposed Part 10 and related conforming amendments. In this regard, comments will be most helpful if they are identified with specific aspects and include the reasons for any concern about clarity, understandability and practicality of application, along with suggestions for improvement. When a respondent agrees with the proposals, it will be helpful for the IAASB to be made aware of this view.

The KICPA believes that the proposed Part 10 has an appropriate level of clarity, understandability and practicality of application.

Specific Questions

Please respond directly to the questions and provide the rationale for your answers, as well as specific suggestions, where appropriate. We appreciate all your feedback, and respondents may respond to all questions or only those questions where they have specific comments.

- 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?**

The KICPA doesn't agree with the proposed prohibition. The scope of application of ISA for LCE is determined by the characteristics of an entity. Therefore, whether to use a component auditor or not should be determined by the auditor considering the relevant working conditions. The use of a component auditor doesn't appear to have a direction connection with the entity's complexity. For example, the audit of a subsidiary with simple function/structure (e.g., 100% local subsidiary solely responsible for production) performed by a local component auditor is not necessarily more complex than the audit procedure performed by a group auditor at a remote location or audits of multiple subsidiaries performed directly by a group auditor, due to inability to acquire a qualified component auditor because of local conditions.

The circumstances where the use of a component auditor causes complexity are mostly captured in the group's qualitative characteristics (entities or business units within the group, the number of jurisdictions) as proposed by ED-ISA for LCE. It is not appropriate to see the use of a component auditor as a criterion based on which a group's complexity is determined.

It is also unclear why the use of a component auditor is limited and allowed only for physical presence. Paragraph A131 of ISA 600 (Revised) stated that the scope of work that can be performed in response to the assessed risks of material misstatement includes further audit procedures on one or more classes of transactions, account balances or disclosures. There seems to be no meaningful difference between the use of a component auditor for additional component-level audit procedures on a handful (1~2) of classes of transactions / account balances as described in the above paragraph, and the use of a component auditor for physical presence. For example, the ED prohibits the application of ISA for LCE in the case of limited use of a component auditor for financial institution or account receivable confirmation. This

makes us question what the difference between such limited audit procedure and physical presence is.

Therefore, the use of a component auditor needs to be allowed, without limitations. However, the use of a component auditor by a less complex entity (group) will be limited to a handful of classes of transactions / account balances for a few components as described in the above. Therefore, it is important to consider such characteristics, when including the ISA 600 (Revised) requirements on the use of component auditor in Part 10.

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 with the proposals. The group-specific qualitative characteristics are fully and appropriately captured in the proposed ISA for LCE.

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

We agree with them. However, the requirements relevant to the component auditor should be added, as described in our answer to Q1.