

Tom Seidenstein
IAASB Chair

Filed via the website

Brussels, 2 May 2023

Subject: Proposed Part 10, Audits of Group Financial Statements of the proposed ISA for LCE

Dear Sir, Dear Tom,

Accountancy Europe is pleased to provide you with its comments on 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).

The proposed ISA for LCE is an important step to increase efficiency in LCE audits while reaching a high-quality audit. We fully support the initiative and the IAASB moving forward with it as soon as possible.

The main key success factor will be the communication efforts to get the buy-in from all stakeholders. The journey will require all stakeholders, including national standard-setters, audit regulators, and professional accounting organisations, to work together to ensure that the value of the work performed by the IAASB on this standard is not lost, not in the least because of the unjustifiable restrictions on the scope of application of the standard. The standard may change as stakeholders and auditors gain experience with its practice. Part 10 of the standard is one of the areas for which an early review and revision may be considered.

In this regard, the IAASB should monitor the extent of ISA for LCE adoption and consider what needs to be done if the adoption is not widespread. This should include globally engaging with audit software providers to see whether and how they accommodate the standard in their products.

We thank you for the opportunity to comment. For further information on this letter, please contact Harun Saki on +32 488 55 25 76 or via email at harun@accountancyeurope.eu.

Sincerely,



Olivier Boutellis-Taft
Chief Executive

ABOUT ACCOUNTANCY EUROPE

Accountancy Europe unites 50 professional organisations from 35 countries that represent close to 1 million professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18).

ANNEX - REQUEST FOR COMMENTS

Questions

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?*

No, we believe that prohibiting the use of the proposed standard for group engagements where component auditors are involved will limit the applicability of the standard in practice and reduce its attractiveness. Hence, audits of simple group structures, where none of the components can be classified as complex and the group engagement partner, based on an assessment using professional judgement, determines that he or she can be sufficiently involved in the work on components for the group audit purposes, should be included in the scope.

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?*

Whilst we agree that the qualitative characteristics are helpful, including finite numbers will be overly restrictive in some circumstances. In this regard, we believe the word “few” is self-explanatory and the examples with number of business units and jurisdictions given in parentheses under paragraph A.3 should be removed.

Otherwise, these arbitrary quantitative thresholds should be clearly marked as guiding examples as auditors need to use their professional judgment in considering the qualitative characteristics.

In the European Union (EU), with a single market for goods, services, people and capital, approximately 80% of legislation for corporate governance including accounting, reporting and auditing is harmonised, covering 27 EU or 30 EAA jurisdictions of which many are very small. Setting up entities in several EU member states is thus rather common also for less complex groups. Therefore, it should be clarified that entities with high level of homogeneous activity and control structure, although having numerous business units in many jurisdictions, may still be considered as a less complex group, such as small hotel chains.

Some of our members believe that the Authority of the standard should also clarify whether it is possible to use ISA for LCE for one or more components in cases where the relevant group is audited in accordance with ISAs.

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

Yes, we agree with the content relevant to engagements where component auditors are not involved. However, we invite the IAASB to widen the scope of the standard to include less complex groups where group engagement partner determines that he or she can be sufficiently involved in the work on components. Accordingly, the IAASB should develop requirements and application material for cases when component auditors are involved but the engagement is conducted as per ISA for LCE. These should be based on relevant requirements in ISA 600 Revised.