

2 May 2023

Willie Botha — Program and Technical Director  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY 10017

Dear Mr. Botha:

**IAASB Exposure Draft of Proposed Part 10, *Audits of Group Financial Statements of the Proposed International Standards on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)***

Deloitte Touche Tohmatsu Limited (DTTL) is pleased to have the opportunity to provide comments on the exposure draft of *Proposed Part 10, Audits of Group Financial Statements of the Proposed International Standards on Auditing for Audits of Financial Statements of Less Complex Entities* (“ISA for LCE” or “the exposure draft”), issued by the International Auditing and Assurance Standards Board (IAASB or “the Board”).

DTTL will continue to support the IAASB’s commitment and efforts in the development of a standalone standard for the audit of the financial statements of less complex entities, which is intended to serve both auditors and the marketplace as a separate and simpler alternative to the existing full suite of International Standards on Auditing (ISAs). Accordingly, we are responding to the three specific questions as requested by the exposure draft as follows:

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?*

For the reasons outlined in the explanatory memo of the exposure draft, we agree with the proposed prohibition on the use of the proposed ISA for LCE for group audits where component auditors are involved (other than the limited circumstances provided for in the exposure draft).

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 proposed group-specific qualitative characteristics. However, we have the following additional comments:

- We recommend describing the qualitative characteristics (including the lead-in wording to the table of characteristics) by focusing on characteristics of the group entity which may make the entity less complex, as opposed to characteristics of the audit (for example, “group management will be able to provide the engagement team with access to information and unrestricted access to persons within the group” could be changed to “group management has control over the group and components such that it has access to information and unrestricted access to persons within the group”). This approach (focusing on the entity and not the audit) is consistent with how the proposed ISA for LCE standard is constructed.
- The exposure draft is silent on Equity Method Investments (EMI) and an entity’s use of Shared Service Centers (SSC) in a manner that is relevant to its financial reporting. We encourage the IAASB to consider addressing whether or how the existence of EMIs or SSCs are indicators of complexity or characteristics

that would or may preclude a group entity from being an LCE, and therefore an entity that could be audited in accordance with the ISA for LCE.

- Consider whether the following factors should be addressed as additional qualitative characteristics:
  - Nature and complexity of IT systems used within the group
  - Existence of common or central management and finance teams
  - Different or unrelated business activities within the group
  
- Reconsider whether the below qualitative characteristic is indicative of a LCE. The existence of components in a different jurisdiction (even one) generally increases the complexity of a group entity, as well as the likelihood that component auditors need to be involved in the audit. In addition, including “3 or less” may become a defacto bright line, which may not be appropriate in all jurisdictions. It may be better suited for jurisdictions, as part of adopting the ISA for LCE, to include additional guidance as to what “few jurisdictions” would mean in their jurisdiction.
  - “Group entities or business units are limited to few jurisdictions (e.g., 3 or less)”
  
- We believe qualitative characteristics should be factors to consider and not applied as bright-line tests. Any examples included in the bullets should be considered as directional examples and not prescriptive material. We encourage the IAASB to emphasize this point in communications when publishing the final standard and developing related implementation guidance.

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

Subject to our comments above, we generally agree with the content of proposed Part 10 and related conforming amendments. We believe it would also be beneficial to have an illustrative auditor’s report reflecting the additional content for group audits (instead of describing the additional content via a footnote) and therefore recommend adding one.

DTTL appreciates the opportunity to provide perspectives on the exposure draft and would be pleased to discuss this letter with you or your staff at your convenience. If you have any questions, please contact me via email (mzietsman@deloitte) or at +1 973-264-7153.

Very truly yours,



**Megan Zietsman**  
Deloitte Global Audit & Assurance Quality Leader  
Deloitte Touche Tohmatsu Limited

*Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organization”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see [www.deloitte.com/about](http://www.deloitte.com/about) to learn more.*

*This document contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organization”) is, by means of this document, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.*

*No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this document, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this document. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.*