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[submitted through the IAASB website]

02/05/2023

Dear Sirs

**IAASB consultation: Exposure Draft of 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**

Baker Tilly International is a network of independent accountancy and business advisory firms. Member firms of Baker Tilly International provide assurance, tax, consulting, and advisory services. Our 41,200 people in 703 offices across 145 territories serve clients of all sizes across all sectors, including listed entities and public interest entities (PIEs).

We welcome the opportunity to comment on the IAASB's proposed Part 10 etc of the ISA for LCE. The insights from our member firms inform our comments below as well as our detailed responses to the Exposure Draft questions which can be found in Appendix 1.

Our main comments are:

- The presence of component auditors does not of itself introduce complexity to an audit, and
- The description of the consolidation process is the best indicator of complexity (or lack thereof).

We understand that the IAASB is not asking for further feedback on content of the proposed ISA for LCE that does not relate to group audits. However, we understand that the proposed ISA for LCE is not yet enjoying widespread support from national lawmakers with some such as the UK's Financial Reporting Council indicating that they will not support its adoption into national rules and regulations. If the ISA for LCE is not widely adopted then it will undermine the IAASB's intention to avoid fragmentation in adoption of its standards and empower others who were so inclined to continue developing or using their own solutions for audits of less complex entities. If the project can no longer be said to be meeting the IAASB's objectives then resources might be better allocated to other IAASB projects such as assurance on ESG information which is an urgent need.

If I can clarify any of the comments in this letter then please contact me using the details below.

Yours faithfully

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**WORLDWIDE NETWORK OF INDEPENDENT ACCOUNTING FIRMS  
MEMBER OF THE FORUM OF FIRMS**

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## Appendix

### Specific 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??

**Baker Tilly response:**

No. The presence of component auditors does not of itself introduce complexity to an audit – rather where there is more than one auditor then communication between the auditors is important. A better indicator of complexity in a group is the nature of the business(es) and the environment(s) in which it operates.

For example, a care home business might run 10 care homes. Whether those care homes are in one company or 10 companies makes no difference to the inherent complexity of the ten care home business. If those 10 care home companies are audited by two audit firms, with one auditing the group, then it makes no difference to the complexity of the business or the risks facing a business running 10 care homes.

On the other hand, a healthcare business that runs a care home, a hospital and a pharmacy is likely to be more complex because there are three distinct business sectors. It may also be appropriate to conclude that operating in more than one jurisdiction introduces complexity because there may be differences in operating, regulatory and economic environments and corresponding requirements.

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?

**Baker Tilly response:**

It is unhelpful, arbitrary and arguably inappropriate for the Authority to include indicative numbers such as in “...few entities or business units (e.g., five or less)”. Either include numbers as a rule (e.g., shall not be more than five) or preferably they should be removed. Complexity within a jurisdiction is a better indicator of complexity for the group audit than number of jurisdictions. All circumstances should be taken into account when determining complexity.

The characteristic “Access to Information or People” is not specific to audits of less complex entities and should be removed.

The description of the consolidation process is the best indicator of complexity (or lack thereof).

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

**Baker Tilly response:**

Yes.