

Thomas R. Seidenstein, IAASB Chair
IAASB – International Auditing and Assurance
Standards Board
529 5th Avenue, 6th floor
New York, NY 10017 USA

Paris, May 2, 2023

Ref: 20230107

Subject: IAASB ED 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

Dear Sir,

The Compagnie Nationale des Commissaires aux Comptes (CNCC) and the Conseil National de l'Ordre des Experts-Comptables (CNOEC) are pleased to provide you with their comments on the proposed part 10- Audits of Group Financial Statements of the proposed ISA for LCEs.

We are very supportive of the ED. We believe it is clear and simple and it ringfences the use of the ISA for LCEs to the simplest groups, avoiding any risk of scope creep towards more complex groups.

We therefore urge the IAASB, after having considered the comments received on exposure, to adopt the ISA for LCEs, including part 10, without re-exposure.

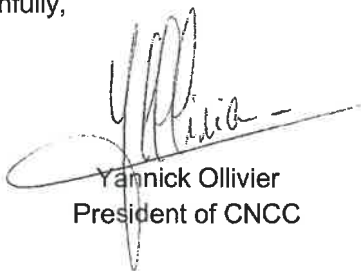
The process was launched more than 6 years ago at the first Paris conference. The various outreach and events, including the 3 Paris conferences have demonstrated the urgent need for such a standard for most of the economies of the world, where SMEs represent the bulk of the economic activity.

It is now time to adopt and implement the audit standard for LCEs.

Responses to specific questions raised in the Exposure Draft are set out below.

If you have any questions about our views on these matters, please do not hesitate to contact us.

Yours faithfully,


Yannick Ollivier
President of CNCC


Cécile de Saint Michel
President of CNOEC

Envoyer obligatoirement toute correspondance aux deux adresses ci-dessous :

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?

Yes, we are globally in agreement with the authority of the proposed ISA for LCE for group audits.

Before reaching our conclusion, we had discussions about what was meant by the involvement of components auditors; did it mean that the group auditor could not use the staff from another office of its own firm to audit a component of the group? Or did it mean that he could not use the work of another auditor from another firm? Or did it mean that the entire audit of the group had to be performed directly by the central team? Etc.

We also discussed about another possible approach which could have consisted in prohibiting the use of ISA for LCEs in groups where the group auditor requires a full scope audit from the auditors of certain components: i.e., an approach based on the work required rather than an approach based on the prohibition of the involvement of a component auditor.

However, at the end of the day **we concluded that the proposed authority of the ED was right**, that it was clear cut and simple and that it clearly limits the use of the ISA for LCEs to the simplest groups.

To clarify the definition of component auditor however, we would add in the EEM for the part related to Component Auditors, that follows paragraph A.1. (d) (ii), that *“a component auditor is an auditor who performs audit work **at the request of the group auditor**, related to a component for purposes of the group audit. [...]”*

The reason why we ask for this addition lies in paragraphs 24, 14 (c) – definition of “Component auditor” – and A23 (in link) of ISA 600 revised. Paragraph 24 of ISA 600 revised requires the group auditor to request the component auditor to confirm that the component auditor will cooperate with the group auditor, thereby establishing that the component auditor works upon request of the group auditor. Therefore, although the component auditor is part of the engagement team, he is clearly different/separate from the group auditor and works at his request.

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?

Yes, we agree with the group specific qualitative characteristics in A3.

However, we believe that the indicative numbers of entities within the group (e.g., 5 or less) or the indicative number of jurisdictions (e.g., 3 or less) should be removed from the standard.

Numbers in standards are very rare, if not inexistant, and they could be taken as being imperative. There is therefore a risk that they be considered a rule instead of an illustration. The word “few” in English is sufficiently clear to prevent misuse of the standard.



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

Yes, we agree with the content of proposed part 10 and related conforming amendments.

However, we have two comments:

Nowhere in section 10 is there any reference to the auditor's report. We suggest taking the text of the foot note 2 of page 21 of the ED, that relates to Part 9 of the extent ED ISA for LCEs and inserting it in section 10 as a requirement between 10.7 and 10.8.

Nowhere is it mentioned in section 10 that if the auditor becomes aware that he is not in the circumstances of a less complex group anymore (for example if he realizes that he needs to involve a component auditor when he did not expect to), he should revert to the full ISAs. We suggest inserting in section 10 a paragraph equivalent to paragraph 6.5.11 of the extent ED ISA for LCEs.

