

April 26, 2023

International Auditing and Assurance Standards Board
529 5th Avenue, 6th Floor
New York, NY 10017, USA

Comments on
Exposure Draft “*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”

The Japanese Institute of Certified Public Accountants (JICPA) is grateful for the opportunity to comment on the Exposure Draft, 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.

The attached are our comments on “Request for Comments.”

We hope that our views will be of assistance to the IAASB.

Sincerely yours,

Hidehiko Yuki
Executive Board Member - Auditing Standards
The Japanese Institute of Certified Public Accountants

Request for 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?**

Response to 1:

We agree.

- 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?**

Response to 2:

We agree. We have the following comment.

(Numerical indicators)

Regarding the numerical indicators in the qualitative characteristics of paragraph A.3 (for example, “the group has few entities or business units (e.g., 5 or less)”), although the word "e.g." is used, it would be appropriate to include an explanation that makes it clearer that these numerical indicators are not absolute or definitive. In this regard, if the Exposure draft is combined with the September 2022 Board meeting paper "20220912-Agenda-Item-5-A-Proposed-Authority," the beginning of paragraph A.3 will be as follows:

“A3. The following list describes characteristics of a typical LCE for the purpose of determining the appropriate use of the ISA for LCE. The list is not exhaustive nor intended to be absolute, and other relevant matters may also need to be considered. Each of the qualitative characteristics may on its own not be sufficient to determine whether the ISA for LCE is appropriate or not in the circumstances. Therefore, the matters described in the list are intended to be considered both individually and in

combination. For the purpose of group audits, these considerations shall apply to both the group and each of its individual entities and business units...”

We believe these statements are important and should be retained in the final version of the ISA for LCE.

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

Response to 3:

Paragraph 10.8.1. does not include a documentation requirement relating to the understanding of the group's system of internal control to be obtained in accordance with paragraph 10.4.1. Since Part 10 specifically requires to obtain an understanding of the group's system of internal control, a documentation requirement similar to paragraph 59(e) of ISA 600 (Revised) should be included in Part 10.