



2 May 2023

Mr Willie Botha  
Technical Director  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
529 5th Avenue, 6th Floor  
New York, New York 10017 USA

Dear Willie,

**AUASB Submission on the IAASB's Exposure Draft - Proposed Part 10, Audits of Group Financial Statements of the Proposed ISA for Audits of Financial Statements of Less Complex Entities**

The Australian Auditing and Assurance Standards Board (AUASB) is pleased to have the opportunity to comment on the IAASB's Proposed Part 10, *Audits of Group Financial Statements of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities*. The AUASB is a non-corporate Commonwealth entity of the Australian Government, responsible for developing, issuing, and maintaining auditing and assurance standards in Australia. The AUASB's role and mandate extends to liaison with other standard setters and participation in global standard-setting initiatives.

In formulating its response, the AUASB has sought input from its constituents by requesting submissions from Australian stakeholders via our website, discussions with the professional accounting bodies across Australia and discussion with AUASB members at recent board meetings which have been incorporated into this submission.

***Overall Comments***

The AUASB continues to have concerns that the proposed LCE audit standard may not meet the objective of providing significant improvements for LCE audits and provides limited utility to auditors, even with revisions that have been proposed to the standard since it was originally exposed by the IAASB. The AUASB's core concerns, as expressed in our submission to the IAASB on the original Proposed Exposure Draft *Auditing for Audits of Financial Statements of Less Complex Entities*; remain, those being:

- (a) Perception that the proposed standard is a lesser quality or scaled down audit product, especially if the use of the proposed ED-ISA for LCE Standard needs to be explicitly identified in the auditor's report;
- (b) Expectation of reduced work effort being applied than would be expected under the full suite of ISAs, despite the proposed level of assurance being the same; and
- (c) Perception that regulators may not accept the use of this proposed standard on audits which are required by local statutory or regulatory requirements.

The AUASB is not responding to all questions being asked in this Exposure Draft, just on Question 1.



AUASB Response to Question 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?*

- The AUASB welcomes the inclusion of group audits into the scope of the LCE Standard.
- The AUASB does not support the IAASB's proposals to scope out group audits when a component auditor is used (except for specific physical presence considerations).
- The AUASB does not consider that the use of component auditors is a proxy for complexity. The AUASB considers that the qualitative characteristics in the Authority for all entities, along with the additional qualitative characteristics relevant for groups, should be sufficiently robust to allow practitioners to determine if the ISA for LCE can be used in an audit of a group.

Should you have any queries regarding this submission, please do not hesitate to contact the AUASB Technical Director, Matthew Zappulla, at [mzappulla@auasb.gov.au](mailto:mzappulla@auasb.gov.au).

Yours sincerely,

W R Edge  
Chair