

IAASB  
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**Subject: Exposure draft – Part 10, Audits of Group Financial Statements of ISA for LCE**

Dears


We are pleased to respond to the International Auditing and Assurance Standards Board (IAASB) proposed Part 10, Audits of Group financial Statements of the Proposed International Standard on Auditing for Less Complex Entities (ISA for LCE), further ED – Part 10.

Chamber of Auditors of the Czech Republic (CA CR) welcomes the ED – Part 10 as it aims to increase applying ISA for LCE for further engagements, which are common in the Czech Republic. However, we believe that the prohibition of use of component auditor is too strict and we propose to allow the use of the standard in other situations the work of component auditor is used.

Below you can find our answers on the Board's questions with our arguments, where relevant. We, as a member of the Accountancy Europe, agree with majority of the points/comments provided by Accountancy Europe in its response to this ED – Part 10. However, because we consider this ED – Part 10 as very important, we have decided to stress the key points with our arguments in this separate response.

CA CR is the relevant local authority in the Czech Republic which adopt ISA for usage in audit practice.

Yours sincerely



Ladislav Mejzlík  
President of the CA CR

## 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?*

Response:

No. We agree that usage of component auditor could be a sign of potential complexity, but we believe that there can be cases when component auditor can be used and still the group is less complex group and ISA for LCE is still relevant.

For example, we believe that component auditors could be used to perform specific further audit procedures only. In this case, these procedures are planned and resulting audit evidence is assessed by the group auditor. Therefore, there is no complexity from the group audit perspective.

Also, in the European Union there are often entities within one group established in several states. This typically requires use of component auditors in each state due to the local licensing requirements while the group may still not be a complex group.

Further, we are missing definition of the term “audit work”. It is unclear how to interpret the situations when using audit teams within the same network but employed by the separate audit firm in the component country jurisdiction. Or conversely, using the audit members of the group auditor team to perform the work on the component lead by the audit partner in the component country (again due to licencing requirement).

The prohibition of use of component auditor may lead to discrimination of audit firms which are not part of network, as those cannot benefit from including the other country networks’ firm employee to engagement team.

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:

Yes, except of following two comments.

Firstly, we believe that the quantitative threshold (such as included in definition of group structure and activities) should be clearly indicative and marked only as an example. It should be a matter of auditor’s judgement what number of entities and jurisdictions are indicators of complexity. For example, within EU there are lot of jurisdictions with very similar rules. So, if the subsidiaries are all within EU it may not be a characteristic of complexity.

Secondly, we do not agree that financial information of all entities should be prepared in accordance with the same accounting policies. If the adjustments to align local GAAP to group accounting policies are not complex, are limited or immaterial, such group may be still less complex. Within EU, the consolidation is often based on the local GAAP financial statements while the adjustments due to conversion from local GAAP to the group financial reporting framework are made by the group management and audited by the group auditor.

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

Response:

Yes. But we are still missing clarification whether it is possible to use component audit work performed under ISA for LCE for the purpose of the group audit that is performed under full ISA.