

## IAASB

### *Online submission*

2 May 2023

Dear IAASB,

Chartered Accountants Ireland welcomes the opportunity to comment on the **Proposed Part 10, Audits of Group Financial Statements of The Proposed ISA For Audits Of Financial Statements Of Less Complex Entities.**

We support and welcome the proposed amendments to the draft standard, and we applaud the amount of work undertaken by the project team in producing the standard.

We have the following overall comments and our responses to the questions posed are attached.

### **Overall comments**

As stated in our response to the earlier consultation in our view it is essential that group audits are included in the scope of the ED-ISA for LCE. In Ireland, group structures are used extensively by private businesses. A large proportion of these group structures would not fall into the specific classes of entities or exhibit the qualitative characteristics that would prohibit the use of ED-ISA for LCE. Statutory audits are required under legislation in Ireland for all but the smallest of these groups. If the standard when issued does not include group audits in its scope, we expect that this will significantly limit the use of the standard in Ireland.

The current proposals would go some way towards addressing this but we believe that the prohibition on the use of component auditors and the numbers of entities and jurisdictions would impact negatively on the usefulness and therefore adoption of this standard in Ireland.

### **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?**

We do not agree with the proposed prohibition on the use of component auditors as defined. We believe that the standard should be available to non-complex groups irrespective of the auditor's arrangements. We believe that the focus should be on the complexity of the component entities with further due consideration given the complexity of the consolidation process as outlined in paragraph A3 of the proposed revisions.

Using a component auditor in another location is not necessarily an indication of complexity in our view but may be down to practical or legal considerations. In many cases, the use of a component auditor may also pose less risk due to knowledge of local laws and regulations.

As an example, many Irish private and non-complex groups have limited operations across the United Kingdom. In these scenarios, all entities would individually be considered non-complex and practically the use of a component auditor is more appropriate due to proximity to the client and knowledge of local laws and regulations. In our view, in this scenario, we would consider the group to be non-complex.

Paragraph A.1 d (ii) permits the use of the standard when the component auditor's involvement is limited to circumstances in which a physical presence is needed for a specific audit procedure for the group audit (e.g., attending a physical inventory count or inspecting physical assets). This should also include other audit procedures which might require a physical presence such as inspection of documents which cannot be sent outside the jurisdiction. Please also refer to our response to question 3 relating to the appropriateness of the content of the standard relating the use of component auditor.

**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?**

The qualitative characteristics in paragraph A3 should be clearly marked as *examples* where the auditor needs to use his or her professional judgment in determining the qualitative characteristics. This is specifically important in terms of the qualitative examples for thresholds related to number of entities or business units and number of jurisdictions. In the European union with an open market for services, goods and finance setting up entities in several (i.e., more than three) member states are rather common also for less complex groups.

The examples in paragraph A.3 also refer to using the same accounting policies across the group. Local laws may require/permit applying different accounting policies across a group (for example a subsidiary which is permitted to use FRS 102 where the group uses IFRS) so we do not believe that this should necessarily preclude using the LCE standard.

Within a group there may be a new subsidiary with a different year end in the year of set up due to local laws and regulations so we do not believe that this characteristic in these circumstances should be a barrier to using the LCE standard.

We agree that sub-consolidations are more likely than not a characteristic of complexity in the group.

We do not believe that routine consolidation adjustments should preclude using the standard. The use of ISA for LCE in the individual entities but full ISA in the group audit needs to be permitted. The message on the proposed standard is that it is the same quality audit opinion therefore in our view

auditors of subsidiaries should be free to use it as appropriate irrespective of the decision at the group level.

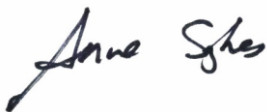
**3. Do you agree with the content of proposed Part 10 and related conforming amendments?**

We believe that additional guidance relevant to the use of component auditors from ISA 600, in the circumstances where they are permitted, should be included in part 10 of this standard.

The relevant paragraphs that should be included are paragraphs 19, 20, 40, 42, 43 and A7, A 32-41, A54, A57-61.

If you have any questions on any of the comments in this response, please do not hesitate to contact me at [anne.sykes@charteredaccountants.ie](mailto:anne.sykes@charteredaccountants.ie).

Yours sincerely



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