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2 May 2023

The International Auditing and Assurance Standards Board

Dear Sir / Madam

**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)**

Price Bailey welcomes the opportunity to comment on the Exposure Draft, of Part 10 of the ISA for LCE. We believe that the standard is important and will be relevant to our audit service line going forward, assuming the standard is adopted in the UK. We also believe that the standard will provide helpful guidance for LCE auditors globally, and will help with the 'scalability' issues with the existing suite of ISAs.

**About Price Bailey**

Price Bailey is a top 40 UK accountancy practice specialising in providing audit, accountancy, tax and business advice to enable the growth of regional, national and international businesses. We audit a number of entities within the SME sector and also listed companies.

We have 8 offices in the UK. We employ over 350 professionals and have a group turnover of over £30million.

**Key Comments**

In our opinion LCE's are an important part of the economy and the provision of audit services to them, provide the LCE'Ss and the wider economy with significant value.

LCE's are distinct from large complex listed companies in ways other than size. The nature and risk for these entities is different. They are managed differently, controlled differently and they are therefore not simply smaller PIEs. The same analysis extends to less complex groups.

Our Promise

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We are therefore pleased that as a result of the feedback from the Exposure Draft on the ISA for LCE the IAASB decided to amend the Authority to include Group audits and have issued this Exposure Draft on the proposed addition of Part 10 on the requirements specific to Groups.

Many group entities are not complex and neither are their audits. Whilst the proposed amendment to the authority now includes some groups, we believe it is still too restrictive and will exclude a number of Groups which are genuinely less complex. We have suggested some amendments in our responses to the specific questions asked in the consultation. It is important that the authority is not too narrow, as unless this standard can be applied to enough entities commercially it will not be viable for firms to adopt.

We understand that the IAASB are amending other parts of this standard, on which it is not consulting. We hope that these amendments will address a number of concerns raised, in particular with regard to part 6, where currently a number of requirements are retained from other ISA's which are not relevant to Less Complex Entities (LCE's).

We are pleased the IAASB have continued with this work. It is an important area and we support the IAASB moving forward with the LCE standard. We believe it will be necessary to continue to evolve the standard once it has had an opportunity to be adopted. We hope you find our feedback useful, as we are keen to see an auditing standard suitable for LCE's.

We have provided detailed responses to each of the individual questions in the attached document.

Thank you for your hard work.

Yours faithfully

**PRICE BAILEY LLP**

**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?**

We believe the proposed restriction is currently too narrow and will still exclude a number of less complex groups. The examples provided are too restrictive and should be broadened to include at least the following:

- (a) Inspect documents
- (b) Carry out specific audit procedures not amounting to a full-scope audit.

We understand that if there was no restriction on the use of component auditors then there would be a perception that a number of additional requirements from ISA600 would need to be included within the ISA for LCE. We do not believe the addition of the 2 examples noted above would require any amendments to the requirements currently included within the current proposed part 10.

**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 proposed examples provided are too restrictive and, in practice, regulators are likely to interpret them as requirements from which practitioners would then need to justify a departure.

We do not believe the number of entities is something that should be restrictive. There are many groups which will have a high number of group entities whilst remaining less complex, the group size being purely for risk management purposes (eg. property companies with separate entities for different developments). Neither the entities nor the consolidation will necessarily be complex.

In addition, many less complex groups may have a significant number of dormant entities for which an audit is still required due to local regulations.

Similarly, an entity operating across more than 3 jurisdictions might not necessarily be more complex, particularly if those jurisdictions allow freedom in choosing one's reporting framework and may in fact have other similarities to neighbouring jurisdictions (eg. the Channel Islands).

One way to address this it would be helpful to consider adding "less complex groups with business operations that display a level of homogeneity may operate in more than 3 jurisdictions or have more than 5 business units".

We also believe that the requirement for consistency in accounting policies across the group is too restrictive. Most less complex entities will use local GAAP rather than IFRS, therefore there could be some differences in the accounting policies. However these differences are often not significant and the global profession is well accustomed to them.

A further example is a UK charity with a trading subsidiary, there are specific differences due to the existence of a Statement of Recommended Practice for charities but this statement is based on FRS 102 (UK GAAP) and indeed directly refers to the standard in a number of areas.

Additionally, non-coterminous year ends do not always increase complexity.

It is important that the authority is broad enough as if it is too restrictive it will not be commercially viable for firms to adopt.

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

Overall we agree with much of the content of proposed part 10 and related conforming amendments. We note that the changes for the audit report are achieved with the use of footnotes. Foot notes are often overlooked and therefore the content should be included within the body of the report where appropriate.