



The Chairman
International Auditing and Assurance Standards Board
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Sent electronically through the IAASB Website (www.iaasb.org)

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

PREFACE

The Pan-African Federation of Accountants (“PAFA”, “we” and “our”), welcomes the International Audit and Assurance Standards Board (IAASB)’s publication of 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 LCEs) and Proposed Conforming Amendments and especially appreciates the Board’s reconsideration of the exclusion of Group Audits from the scope ISA for LCEs which PAFA, in its response to the first consultation on the proposed Standard, was not in support.

PAFA represents Africa’s professional accountants, and our objective is to accelerate the development and strengthen the voice of the accountancy profession within the continent and worldwide. In its unique regional capacity to work with Professional Accountancy Organisations and present a unified position for the profession, PAFA hereby presents its responses to the Exposure Draft.

We detail our responses to specific questions in the appendix to the letter below. We hope that our comments will positively contribute to the IAASB future’s deliberations. Should you have further concerns regarding our comments, please do not hesitate PAFA Director: Technical Excellence Ms Lebogang Senne on lebogangs@pafa.org.za

APPENDIX

- 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?**

PAFA Response

We do not 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 as it is our view that the involvement of a component auditor (outside of the identified “bright line”) does not automatically imply complexity but could be a reflection of jurisdictional or auditee/auditor circumstances. It is our view that the consideration of the appropriateness of the use of the proposed standard for group audits where components auditors are involved should be principle-based.

- 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?**

PAFA Response

We agree with the proposed group-specific qualitative characteristics to describe the scope of group audits, however, we do not support the characteristic that groups with more than 5 business units or structures is not an LCE as these could still have simple activities and processes. We believe that the use of these quantitative thresholds is arbitrary and may result in more challenges for the auditor having to justify themselves if examples are used as more than examples.

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

PAFA Response

Generally, we agree with the content of proposed Part 10 and related conforming amendments, however, we wish to reiterate our concerns as expressed in our response to Questions 1 and 2 encourage the Board to consider broadening the exemption as it relates to the use of component auditors as well as to reconsider the proposed group-specific qualitative characteristics especially as it relates to “group structures and activities.”