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Dear Tom,

Response to the International Audit and Assurance Standards Board (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 (ISA for LCE) and Proposed Conforming Amendments

EFAA appreciates the opportunity to provide our comments to the [IAASB's Proposed Part 10, Audits of Group Financial Statements of the proposed ISA for LCE \(Part 10 ED\)](#). Our response has been prepared with input from our Assurance Expert Group.

The European Federation of Accountants and Auditors for SMEs (EFAA) represents accountants and auditors providing professional services primarily to SMEs both within the European Union and Europe as a whole. Constituents are mainly small practitioners (SMPs), including a significant number of sole practitioners. EFAA's members, therefore, are SMEs themselves, and provide a range of professional services (e.g., audit, accounting, bookkeeping, tax, and business advice) to SMEs. EFAA currently represents 15 national accounting, auditing, and tax advisor organisations with more than 380,000 individual members.

GENERAL COMMENTS

EFAA is concerned to ensure that policy, regulation and professional standards are scalable and proportionate to the capacities of SMPs and their SMEs clients and tailored to the needs and characteristics of SMPs and SMEs. Consequently, this project is extremely important to SMPs, and we strongly encourage the Board to prioritize the finalization of the standard in December 2023.

In our [response](#) to the ISA for LCE ED, in our interventions on the IAASB Consultative Advisory Group (CAG), and during the recent [Global Webinar: Audits of Less Complex Entities Update](#) with IFAC and the IAASB, we have urged the Board to scope in the audits of less complex groups. We, therefore, welcome the IAASB's decision to address group audits through the inclusion of a separate Part 10.

We do not agree, however, with 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. This will greatly limit use of the standard where component auditors, oftentimes SMPs, are involved. We believe that the standard should allow for more judgment when making the determination on when the involvement of component auditors renders the group audit complex.

QUESTIONS IN EXPOSURE DRAFT

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.

While we understand the desire for clarity and consistent application of the standard, we believe that the standard should allow for more judgment when making the determination on when the involvement of component auditors renders the group audit complex.

In our experience component auditors are used for a variety of reasons, not just for more complex groups. Furthermore, a blanket prohibition such as proposed is likely to significantly limit the use of ISA for LCE in some jurisdictions, often when all other qualitative characteristics and specified criteria are met. For example, the proposed approach would mean that an LCE group with a component auditor would be required to use the full suite of ISAs even if the component itself were small and its results not material in the context of the consolidated financial statements. Moreover, 'physical presence' seems particularly restrictive in an age when technology is enabling the performance of audits remotely.

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?

We agree.

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

We generally agree.

If, as we hope, the IAASB decides to change the scope of when component auditors are involved, we recognize this will require further consideration of the material in proposed Part 10.

CONCLUDING COMMENTS

We trust that the above is clear but if you have any questions please do not hesitate to contact us.

Yours faithfully,

Salvador Marin
President

Paul Thompson
Technical Director