



**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**

**ICAS Response
2 May 2023**

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1. Introduction

ICAS welcomes the opportunity to comment on the 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

ICAS is a professional body for more than 23,600 world class businesspeople who work in the UK and in more than 80 countries around the world. Our members have all achieved the internationally recognised and respected CA qualification (Chartered Accountant). We are an educator, examiner, regulator, and thought leader.

More than half of our working membership work in business; many leading some of the UK's and the world's great companies. The others work in accountancy practices ranging from the Big Four in the City to the small practitioner in rural areas of the country.

We regulate our members and their firms. We represent our members on a wide range of issues in accountancy, finance and business and seek to influence policy in the UK and globally, always acting in the public interest.

ICAS was created by Royal Charter in 1854.

Any enquiries should be addressed to James E Barbour, Director, Policy Leadership:
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2. General comments

In our response to the IAASB's 2021 exposure draft on its proposed ISA for LCE we highlighted that the IAASB should not specifically exclude all groups. Rather, as a general concept, the same criteria should be applied in the group situation as to standalone entities to determine whether use of the proposed ISA for LCE is appropriate. We therefore welcome that the IAASB is proposing to widen the scope of the proposed ISA for LCE to include at least some group audits. However, we believe that the IAASB's proposed approach is rather unnecessarily limited in scope and would welcome this being further expanded.

We welcome the IAASB's proposal to present all requirements relating to group audits in a separate Part of the proposed ISA for LCE as we believe this provides greater clarity.

3. Responses to consultation questions

Overall Questions

Question 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 acknowledge that the IAASB has a difficult task in appropriately defining the scope of groups to be included within the scope of the proposed ISA for LCEs. However, we believe that the proposal is unnecessarily restrictive and have concerns that it will prohibit the use of the proposed ISA for LCE on the audit of groups, the structure of which is not complex. We would suggest that as a minimum, consideration be given to widening the scope to permit the

use of component auditors in undertaking specific audit procedures on behalf of the group auditor but making clear that they are prohibited from undertaking a full scope audit on any of the group components.

Question 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 are supportive of the IAASB's view that the qualitative characteristics of a group are broadly the same as those of an individual entity and therefore a group as a whole and each of its individual entities and business units should meet the qualitative characteristics of an LCE that is not a group. We also accept that, as the IAASB is proposing, there is a need for additional group specific qualitative characteristics and are broadly supportive of these. However, we have concerns at the inclusion of specific numbers, albeit as examples, as these may be viewed as setting arbitrary limits to the scope of the proposed standard. Such numbers do not necessarily take account of the specific facts and circumstances as to whether the group in substance should be capable of being categorised as an LCE.

Question 3

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


We are broadly supportive of the proposed content to be included in Part 10 of the ISA for LCE and related conforming amendments. However, in line with our comments above, we believe that there is a need for the IAASB to widen the scope of group audits that fall within the definition of an LCE and therefore to incorporate further requirements and application material as deemed necessary, based on those in ISA 600 Revised.




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