



Stellungnahme zum Entwurf eines Abschnitts zur Einbeziehung von Konzernabschlussprüfungen in den vorgeschlagenen Prüfungsstandard für weniger komplexe Unternehmen (*ISA for LCE*)

Die WPK hat mit Schreiben vom 26. April 2023 gegenüber dem International Auditing and Assurance Standards Board (IAASB) zu dessen Entwurf eines Abschnitts zur Einbeziehung von Konzernabschlussprüfungen in den vorgeschlagenen Prüfungsstandard für weniger komplexe Unternehmen (*ISA for LCE*) wie nachfolgend wiedergegebene Stellung genommen:

The Wirtschaftsprüferkammer (WPK) is pleased to take this opportunity to comment on the above-mentioned Exposure Draft (ED). We would like to highlight some general issues first and provide you with our specific responses to selected questions of the ED subsequently.

General Comments

Overall, we welcome the 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*).

We already welcomed the IAASB's introduction of the ED *ISA for LCE* in 2019 and acknowledge that the IAASB has now taken the logical second step, namely, to also allow simply structured groups to apply the *ISA for LCE* under certain conditions.

However, we believe that the IAASB is too reluctant when it comes to the cases in which the involvement of a component auditor (for whatever reason) precludes the application of the *ISA for LCE*. We strongly recommend the IAASB to prefer a more principle-based approach in this regard.

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?

No, 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.

We believe that the IAASB is too reluctant when it comes to the cases in which the involvement of a component auditor (for whatever reason) precludes the application of the ISA for LCE.

According to A 1. (d) (i) the ISA for LCE shall not be used if the audit is an audit of group financial statements (group audit) and any of the group's individual entities or business units meet the criteria as described in A.1. (b) or A.1. (c).

In this respect, we share the IAASB's view that the application of the ISA should not be permitted.

According to A.1. (d) (ii) the ISA for LCE shall also not be used if the audit is an audit of group financial statements (group audit) and component auditors are involved, except 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).

In this respect, we do not share the IAASB's view that the application of the ISA for LCE is not permissible for the following reasons:

The use of the component auditor may have different reasons, for example

- a) the group auditor may instruct the involvement of a component auditor because he intends to have certain limited audit procedures performed on site of this component entity (e.g. attending a physical inventory count or inspecting physical assets),
- b) the group auditor may also instruct the involvement of a component auditor because he considers this to be necessary to have other specified audit procedures performed on the basis of his risk assessment and expects that this will result in increased and additional audit reliability or
- c) it is conceivable that the component auditor may have to perform a statutory audit due to local legal requirements.

In the cases mentioned above, ISA for LCE would only be permissible for the component in scenario a).

In scenario b), a group auditor decides to instruct the component being audited (in whole or in part) by a component auditor, because he intends to provide additional audit assurance for group purposes, although there may not even be a requirement for this based on ISA 600 (Revised). However, if the result is that the group auditor is not permitted to apply the ISA for LCE at all (if the qualitative criteria are met), the group auditor may decide to refrain from involving component auditors in the future to the extent permissible and justifiable.

Also, in scenario c), the proposals in A 1. d) (ii) would lead to the undesirable result that the ISA for LCE may not be applied at all for less complex entities (provided that the qualitative criteria are otherwise met). This is despite the fact that the entity would isolated be considered as a less complex entity. In many jurisdictions in Europe, a statutory audit is required because the entity exceeds certain size criteria. This affects many companies that themselves meet the requirements of a less complex company.

In our view, arbitrarily prescribing e.g. attending a physical inventory count or inspecting physical assets is not likely to allow the component auditor to apply the ISA for LCE. Having said that, we prefer a principle-based approach on the complexity of both the parent and the component.

Therefore, we recommend to delete A 1. d) (ii).

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?

Yes, we partly 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.

With regard to the relevant additional characteristics the IAASB proposes that the group has few entities or business units (e.g., 5 or less) or that the group entities or business units are limited to few jurisdictions (e.g., 3 or less).

We would prefer a purely qualitative view of the group and its components instead of a strict rules-based approach regarding the number of entities or jurisdictions. A quantitative limitation to a certain number of units or a certain number of jurisdictions does not seem appropriate for the intended purpose. Qualitative observations and findings alone are preferable according to our firm conviction.

For example, a group comprising 5 entities within a comparable cultural area might be auditable in a comparatively simple way. In contrast, a group comprising only 3 entities within a heterogeneous cultural area might be very complicated despite the straightforward number of entities.

Having said that, we prefer the IAASB to pay more attention to the substantive aspects rather than the number of entities or jurisdictions involved.

Overall, we recommend deleting the qualitative characteristics regarding the “Group Structure and Activities“ in proposed A.3.

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

Yes, we agree.

We hope that our comments are helpful. If you have any questions relating to our comments in this letter, we should be pleased to discuss matters further with you.
