



**CONSIGLIO NAZIONALE
DEI DOTTORI COMMERCIALISTI
E DEGLI ESPERTI CONTABILI**

MINISTERO DELLA GIUSTIZIA

Il Presidente

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Rome, 7 May 2023

**Tom Seidenstein
IAASB Chair**

Filed via the website

Subject: Proposed Part 10, Audits of Group Financial Statements of the proposed ISA for LCE

Dear Sir,

CNDCEC is pleased to provide you with its comments on 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).

As a professional accounting organization, CNDCEC strongly supports the implementation of the proposed ISA for LCE in order to increase efficiency in the audit of LCE including less complex groups. For these reasons we expect an extensive application of ISA for LCE and we also suggest the IAASB to supervise the actual application of the standard in order to avoid prescriptions that could exclude a significant number of LCE. In this regard, we think that the proposed prohibition on the use of the proposed ISA for LCE for group audits where component auditors are involved will limit the application of the proposed ISA for LCE for a large number of less complex groups.

We thank you for the opportunity to comment. You will find hereunder the answers to your questions.

Best regards,

Elbano de Nuccio

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 do not agree, the provision may be very restrictive since, in case of small non-complex groups with subsidiaries located in multiple jurisdictions, understanding the operations would entail knowing both the local legislation and the language used in the documents and information therein, and would then require the involvement of local auditors (component auditors). Furthermore, if component auditors were to be involved (i.e., in limited circumstances when their physical presence is required) it would be appropriate to ask them to provide a documentation proving both their ability to carry out the engagement and their independence of the component, and then to make reference to the requirements in ISA 600, par. 40 and 41 on the communications between the group auditor and component auditor.

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?*

In general, we agree, however in practice it is unlikely to find small groups with all the entities applying the same accounting policies, since every jurisdiction may adopt different accounting principles and the entities belonging to the group could then be required to adopt different reporting standards and policies. The provision included in the characteristics of "consolidation process", if restrictively interpreted, could lead to consider the proposed ISA for LCE as applicable only to small groups, all operating in the same jurisdiction. This would be also in contrast with the qualitative requirement on the group structure that provides for a few jurisdictions and not for a single one as provided in the "Group Structure and Activities" characteristics.

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

In general, we agree. However, we suggest not to include the limitation to the use of the ISA for LCE in case of use of component auditors (see the comment at question 1). Furthermore, should the proposed wording be accepted as it is, we point out that, in case of involvement of component auditors with their physical presence required, there is no provision obliging them to prove their independence and ability to carry out the activity.

Finally, with reference to the determination of the component performance materiality, we think an illustrative example would be helpful.