

**Meeting:** IAASB Consultative Advisory Group (CAG)

**Meeting Location:** Madrid, Spain

**Meeting Dates:** September 11–12, 2017

## Agenda Item

**G**

### **ISA 220, *Quality Control for an Audit of Financial Statements* and ISA 600, *Special Considerations—Audits of Group Financial Statements* (Including the Work of Component Auditors)**

#### **Objectives of Agenda Item**

1. The objectives of the agenda item are to update Representatives about the activities of the ISA 220<sup>1</sup> Task Force (ISA 220 TF) and the Group Audit Task Force (GATF) since the November 2016 IAASB CAG teleconference.

#### **Project Status and Timeline**

2. In December 2016, the IAASB approved the [project proposal](#) for the revision of the IAASB's International Standards relating to group audits and quality control, including:
  - International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements and Related Services Engagements*;
  - International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*; and
  - ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*.

#### *ISA 220*

3. In [December 2016](#) and [June 2017](#) the ISA 220 TF (formerly the Crossover TF) presented proposed changes to ISA 220 for the Board's consideration, focused primarily on:
  - Clarifying and enhancing the roles and responsibilities of the engagement partner;
  - Embedding quality management principles into the requirements relating to managing quality at the engagement level;
  - Enhancing requirements related to communication between the engagement partner and engagement team and others involved in the audit; and
  - Other changes to enhance the standard and address issues identified.

<sup>1</sup> International Standard on Auditing (ISA) 220, *Quality Control for an Audit of Financial Statements*

The suggestions presented at the June 2017 meeting reflected feedback received from the Board at its December 2016 meeting on the potential suggested enhancements and changes, feedback received in the responses to the Invitation to Comment (ITC),<sup>2</sup> as well as the discussions of the Task Force.

4. At the IAASB teleconference in [August 2017](#), the Quality Control Task Force (QCTF), presented proposals regarding ISQC 1. Matters discussed include the quality objectives, quality risks and responses to the quality risks that are proposed for inclusion in ISQC 1. As part of this teleconference, the ISA 220 TF Chair presented the IAASB with the proposed structure of ISA 220 and explained how this approach aligned with the revisions being proposed to ISQC 1, in particular as it relates to the quality management process and the use of quality objectives and prescribed quality risks. Representatives may also wish to refer to **Agenda Item D** for the QCTF's proposed revisions to ISQC 1 using a quality management approach.
5. **Agenda Item G.1** sets out further details about the discussions of the Board in December 2016, June 2017 and August 2017. **Agenda Item G.1** also sets out the targeted timeline for progressing the revisions to ISA 220 to exposure draft.

### ISA 600<sup>3</sup>

#### Current Status

6. In June 2017, the GATF updated the Board regarding the GATF's progress. In the update, it was noted that, as ISA 600 deals with special considerations that apply in audits of group financial statements (group audits), many of the requirements of ISA 600 therefore need to be drafted in the context of requirements in other standards, and therefore the changes to ISA 600 need to be coordinated with changes being made to other standards. In particular, the IAASB recognized that there is a strong linkage between the IAASB's work to clarify and strengthen ISA 600 and the projects to revise other standards, in particular ISQC 1,<sup>4</sup> ISA 220, and ISA 315 (Revised).<sup>5</sup>
7. The IAASB agreed with the GATF's recommendation that it was important that foundational issues for ISA 600 need to be first considered and addressed in these other projects, i.e., such that the GATF can appropriately build on the revised requirements and application material in making necessary revisions to ISA 600.
8. Therefore, the GATF is working cooperatively with the Task Forces responsible for the revisions of ISQC 1, ISA 220, and ISA 315 (Revised) and providing input as proposed revisions to these standards are being progressed. This interaction with the other Task Forces will enable the GATF to be well positioned to incorporate the revisions into ISA 600, and provide the additional context of the special considerations relevant to their application to group audits.

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<sup>2</sup> [ITC, Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits](#)

<sup>3</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

<sup>4</sup> ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

<sup>5</sup> ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

9. Presentation slides explaining the progress on the revision of ISA 600 are included in **Agenda Item G.1**.

#### Project Update

10. The IAASB asked the GATF to prepare a project update given the importance of keeping stakeholders fully informed about the progress of the ISA 600 project. The draft project update is included as **Agenda Item G.2**.
11. The project update explains the background to the project, including the crossover issues that were identified in the ITC. It also summarizes the GATF's recent activities and the issues being considered in the revision of ISA 600. The project update also draws attention to other publications, such as the project proposal and the Staff Alert, [\*Responsibilities of the Engagement Partner in Circumstances When the Engagement Partner Is Not Located Where the Majority of the Audit Work is Performed\*](#).
12. The project update also highlights the linkages between the project to revise ISA 600 and other current IAASB projects, namely the projects to revise ISQC 1, ISA 220, and ISA 315 (Revised) as explained above. It includes links to the respective project pages on the IAASB website to enable interested parties to look for information about how specific issues related to ISA 600 are progressing.

#### Project History

13. Appendices A and B to this paper provides a history of previous discussions with the IAASB CAG and IAASB on these projects, including links to the relevant IAASB CAG documentation.

### Matters for IAASB CAG Consideration

14. The Representatives and Observers are asked:
- For their views on the material included in **Agenda Item G.1**;
  - To note the draft project update included in **Agenda Item G.2**; and
  - To provide further suggestions that may support the ISA 220 TF and the ISA 600 TF in their activities.

### Material Presented – IAASB CAG Papers

<b>Agenda Item G.1</b>	Presentation— ISA 220—Quality Control at the Engagement Level and ISA 600—Group Audits Issues
<b>Agenda Item G.2</b>	Draft Project Update – Group Audits

## Appendix A

### Project History

**Project: ISA 220**

#### Summary

	IAASB CAG Meeting	IAASB Meeting
Project Commencement	March 2015 September 2015 September 2016	December 2014 March 2015 June 2015 September 2015 December 2015 June 2016 September 2016
Project Proposal	November 2016 Teleconference	December 2016
Issues Discussion	March 2017	December 2016 June 2017

#### IAASB CAG Discussions: Detailed References

Information gathering: Responding to Calls to Enhance Audit Quality	<u>March 2015</u> See IAASB CAG meeting material and CAG meeting minutes (Agenda Item C). <a href="http://www.ifac.org/meetings/new-york-usa-5">http://www.ifac.org/meetings/new-york-usa-5</a> <u>September 2015</u> See IAASB CAG meeting material and CAG meeting minutes (Agenda Item F). <a href="http://www.iaasb.org/cag/meetings/new-york-usa-0">http://www.iaasb.org/cag/meetings/new-york-usa-0</a>
Information gathering: Overview of Responses to the ITC, Group Audits and Engagement Quality Control Reviews	<u>September 2016</u> See IAASB CAG meeting material (Agenda Item G). <a href="http://www.iaasb.org/cag/meetings/new-york-usa">http://www.iaasb.org/cag/meetings/new-york-usa</a>

Project Proposal	<u>November 2016</u> See IAASB CAG meeting material (Agenda Item B). <a href="http://www.iaasb.org/cag/meetings/iaasb-cag-conference-call-november-29-2016-730-am-1030-am-est">www.iaasb.org/cag/meetings/iaasb-cag-conference-call-november-29-2016-730-am-1030-am-est</a>
Issues Discussion	<u>March 2017</u> See IAASB CAG meeting material (Agenda Item H). <a href="http://www.iaasb.org/cag/meetings/iaasb-cag-meeting">www.iaasb.org/cag/meetings/iaasb-cag-meeting</a>

## Appendix B

### Project History

**Project: ISA 600**

#### Summary

	IAASB CAG Meeting	IAASB Meeting
Project Commencement	March 2015 September 2015 September 2016	December 2014 March 2015 June 2015 September 2015 December 2015 June 2016 September 2016
Project Proposal	November 2016 Teleconference	December 2016
Issues Discussion	March 2017	June 2017

#### IAASB CAG Discussions: Detailed References

Information gathering: Responding to Calls to Enhance Audit Quality	<u>March 2015</u> See IAASB CAG meeting material and CAG meeting minutes (Agenda Item B). <a href="http://www.ifac.org/meetings/new-york-usa-5">http://www.ifac.org/meetings/new-york-usa-5</a> <u>September 2015</u> See IAASB CAG meeting material and CAG meeting minutes (Agenda Item F). <a href="http://www.iaasb.org/cag/meetings/new-york-usa-0">http://www.iaasb.org/cag/meetings/new-york-usa-0</a>
Information gathering: Overview of Responses to the ITC, Group Audits and Engagement Quality Control Reviews	<u>September 2016</u> See IAASB CAG meeting material (Agenda Item G). <a href="http://www.iaasb.org/cag/meetings/new-york-usa">http://www.iaasb.org/cag/meetings/new-york-usa</a>

Project Proposal	<u>November 2016</u> See IAASB CAG meeting material (Agenda Item B). <a href="http://www.iaasb.org/cag/meetings/iaasb-cag-conference-call-november-29-2016-730-am-1030-am-est">www.iaasb.org/cag/meetings/iaasb-cag-conference-call-november-29-2016-730-am-1030-am-est</a>
Issues Discussion	<u>March 2017</u> See IAASB CAG meeting material (Agenda Item H). <a href="http://www.iaasb.org/cag/meetings/iaasb-cag-meeting">www.iaasb.org/cag/meetings/iaasb-cag-meeting</a>