



ISA 600 – Group Audits

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IAASB CAG Meeting September 2019

Agenda Item K.1

IAASB

International Auditing
and Assurance
Standards Board

Objectives

- Report back on the March 2019 meeting
- Update on the work of the Task Force since the March 2019 meeting
- Obtain views on proposed changes to ISA 600



Overview

Public Interest Issues

**Risk-Based Approach to
Planning and Performing a
Group Audit**

**Scope and Structure of the
Standard**

**Access to People and
Information at the
Component Level**

**Materiality Considerations
in a Group Audit**

**Other Matters and Way
Forward**

Public Interest Issues

Public Interest Issues

KEY PUBLIC INTEREST ISSUES	DESCRIPTION OF ISSUE(S) TO BE ADDRESSED
Keeping the IAASB's standard on group audits fit for purpose	<ul style="list-style-type: none">• Scope of the standard• Linkages with other standards• Adaptability and scalability
Encouraging proactive management of quality at the engagement level	<ul style="list-style-type: none">• Managing and achieving quality in a group audit• Planning and performing a group audit engagement• Access to people and information• Component materiality
Fostering an appropriately independent and challenging skeptical mindset of the auditor	<ul style="list-style-type: none">• Fostering the appropriate exercise of professional skepticism
Reinforcing the need for robust communication and interactions during the audit	<ul style="list-style-type: none">• Robust communications and interactions between the group engagement team / group engagement partner and component auditors

Public Interest Issues

- Key public interest issues are aligned with public interest issues included in the project proposal
 - Project proposal covered ISA 600 and Quality Management standards (ISQM 1, ISQM 2 and ISA 220)
- Discussed with the Board in June 2019
- Updated based on input from the Board and PIOB

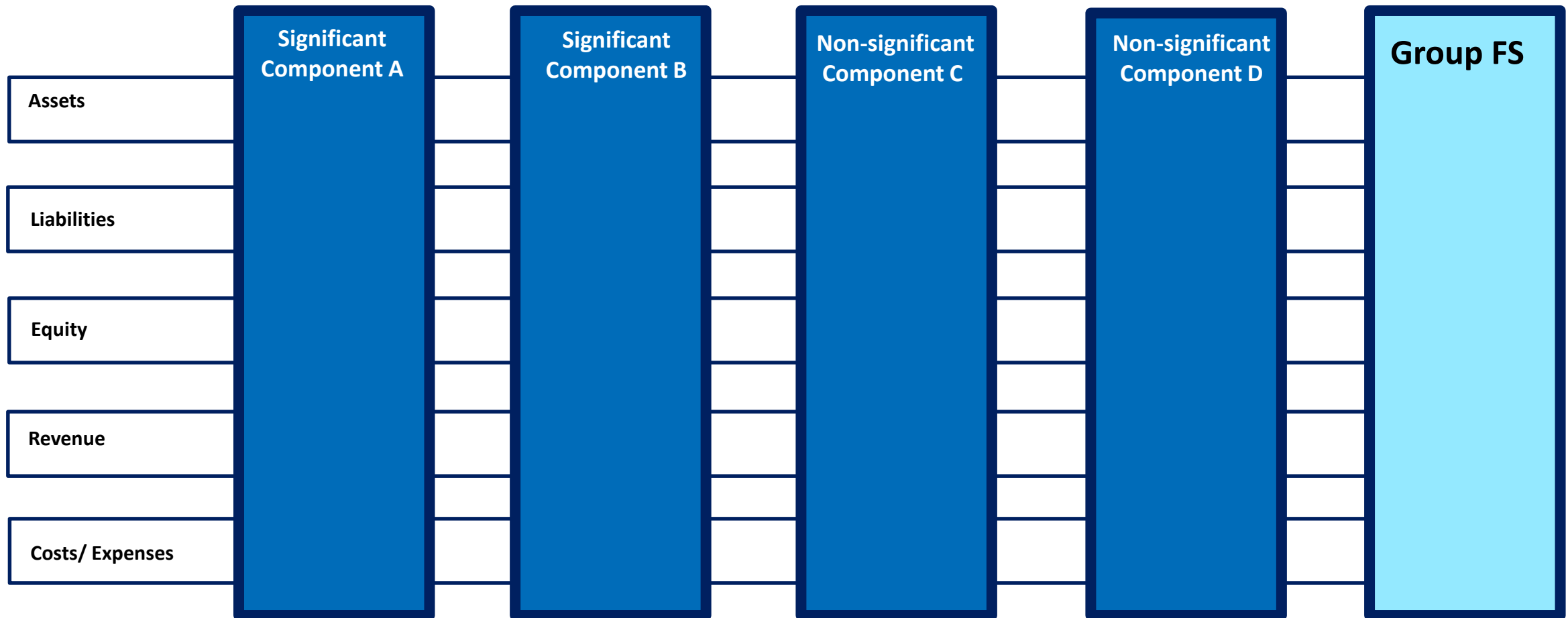
Matter for IAASB CAG Consideration

Question 1:

The Representatives are asked for their views on the enhanced key public interest issues as presented in **Agenda Item K.2**

Risk-Based Approach to Planning and Performing a Group Audit

Focus of Extant ISA 600

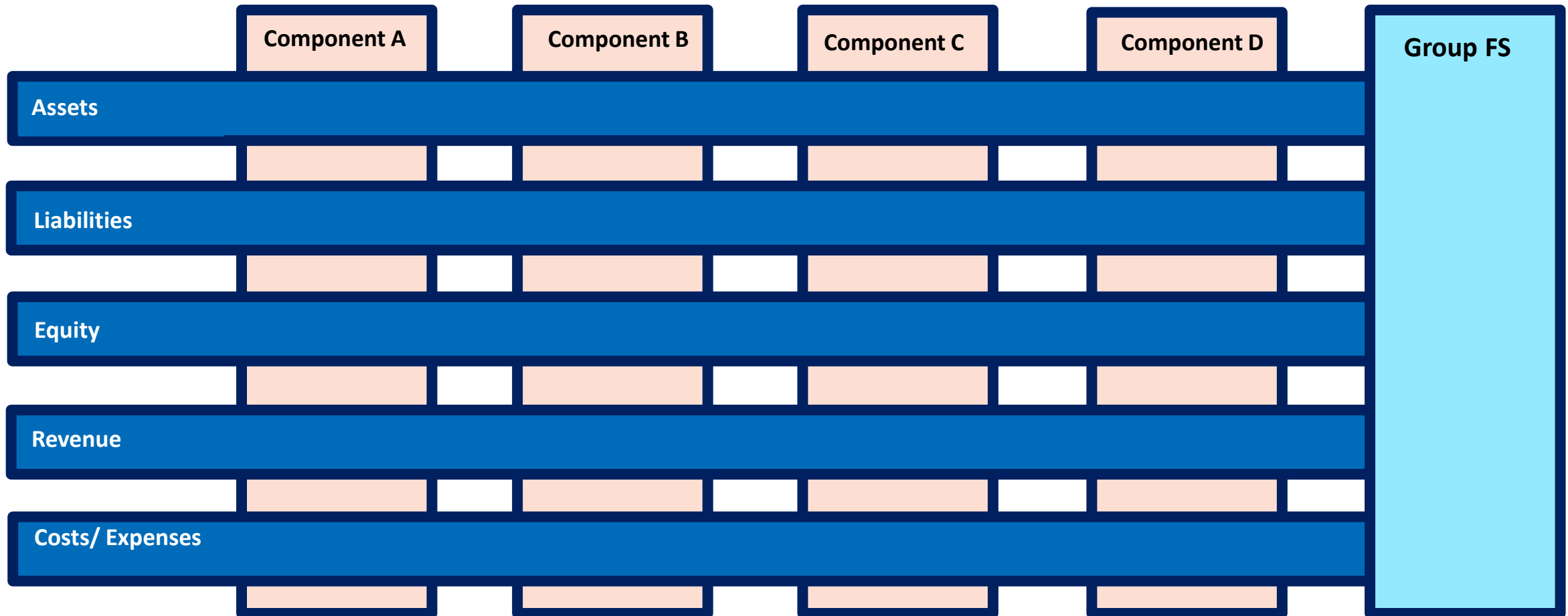


Main Features of the Risk-Based Approach

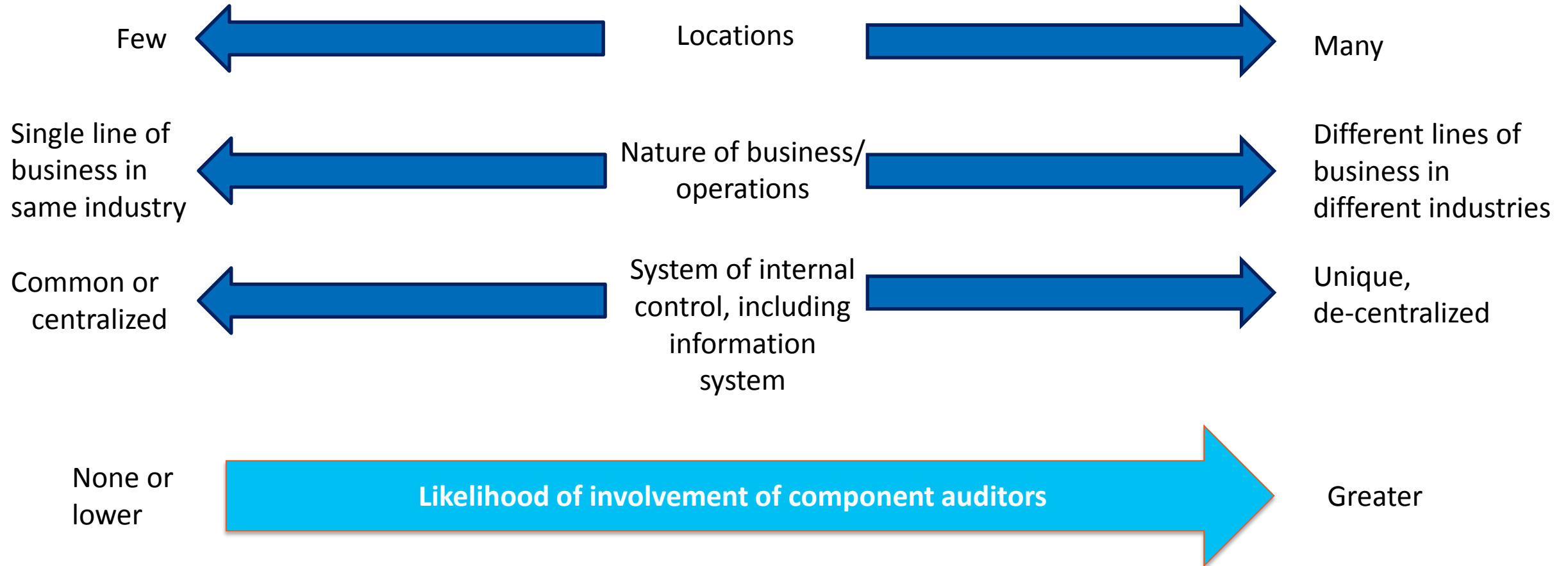
- Focuses on identifying, assessing and responding to the risks of material misstatement (RoMM) of the group financial statements

“The right work done by the right people at the right locations”
- Think about
 - **What** (identifying and assessing RoMM)
 - **How** and **when** (developing the strategy to respond to assessed risks)
 - By **whom** and **where** (determining which resources will perform procedures to obtain evidence)
- Greater alignment with the requirements in ISA 315 (Revised) and ISA 330
- Greater focus on the group engagement team’s responsibility, with the assistance of component auditors as needed

Risk-Based Approach



Considerations in Applying the Risk-Based Approach



Similarities between Extant and Risk-Based Approach

- Obtain sufficient appropriate audit evidence to provide a basis for the opinion on the group financial statements
- Understanding the entity and its environment, including the group structure, business activities, and internal control
- Involvement of component auditors, as appropriate, in
 - Risk assessment procedures (understanding the entity and its environment and system of internal control)
 - Identification and assessment of risks of material misstatement
 - Responses to the assessed risks of material misstatement
- Responsibilities of the group engagement partner

Matter for IAASB CAG Consideration

Question 2:

The Representatives are asked for their views on the Task Force's description of the risk-based approach to planning and performing an audit of group financial statements as presented in **Appendix B** of **Agenda Item K**

Scope and Structure of the Standard

Scope and Structure of the Standard

- Unique factors to a group audit – driving the special considerations
 - An entity with more than one component
 - Already in definition of group in extant: ‘... A group always has more than one component’
 - Clarified what is in the scope of this standard – i.e., what is a group
 - Enhanced definitions of group financial statements and component (which affect the scope and applicability of the standard)
 - Added application material to further describe the ‘consolidation process’
 - The involvement of component auditors
 - Component auditors may be involved, and if so, special considerations relate to
 - Communications with, and involvement in the work of, component auditors
 - Applying the requirements of ISA 220 (Revised) with respect to relevant ethical requirements and the competence and capabilities of the engagement team
 - Communications with, and involvement in the work of, component auditors (including access issues, if any)
- Changed structure – placed all requirements related to using the work of component auditors in one section

Matter for IAASB CAG Consideration

Question 3:

The Representatives are asked for their views on the Task Force's proposals on the scope and structure of the standard, including the special considerations as set out in paragraphs 10–23 of **Agenda Item K.2**

Access to People and Information at the Component Level

Access Issues

Identified access issues

Access to people

- Unable to access component auditor
- Unable to access (component) TCWG, (component) management

Access to information

- Audit work papers need to be kept in component jurisdiction
- Audit work papers are not allowed to be shared electronically
- Restrictions to travel to a country
- Access component auditor's audit work papers is restricted because of war, other unrest or outbreaks of infectious diseases

Access issues for regulators

- Task Force enhanced application material -- will consider whether more is needed

“ISA 600 (Revised) can’t enforce access to people and information, but it can help by developing guidance for situations where access to people or information is restricted”

Matter for IAASB CAG Consideration

Question 4:

The Representatives are asked for their views on how the Task Force has addressed the issues related to access to people and information, including whether there are any access issues other than those described in paragraph 25 of **Agenda Item K.2**

Materiality Considerations in a Group Audit

Materiality

- Task Force had preliminary discussions
 - IAASB had previously concluded not to make broader changes to ISA 320, *Materiality in Planning and Performing an Audit*
- Matters raised by respondents to the ITC
 - Concept of aggregation risk is not well understood
 - Guidance needed on applying the concepts of ‘component materiality’ and ‘component performance materiality’
- Task Force proposes to
 - Clarify and strengthen the requirements or application material
 - Provide additional guidance outside of the standard
 - Practical examples, FAQs, Staff guidance
 - Update terminology as needed in view of the risk-based approach

Matter for IAASB CAG Consideration

Question 5:

The Representatives are asked for their views on the Task Force's initial thinking and recommendations with respect to the materiality considerations in a group audit as presented in **Agenda Item K.2**

Other Matters and Way Forward

Other Matters

- Using audit evidence from an audit required by statute, regulation or for another reason
 - Added application material when audit evidence from another audit can be used (paragraph A47H)
- Outreach
 - Significant outreach efforts planned before or following the September 2019 Board meeting (IFIAR, IOSCO, INTOSAI, SMPC, GPPC, FoF)

Way Forward



Matter for IAASB CAG Consideration

Question 6:

The Representatives are asked whether there are any other matters they would like to bring to the attention of the Task Force



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