

Meeting: IAASB Consultative Advisory Group (CAG)
Meeting Location: Virtual Zoom Meeting
Meeting Dates: March 8-9, 2021

Agenda Item B

ISA 600, Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) – Cover and Report Back

Objective of Agenda Item

1. The objectives of this agenda item are to:
 - Report back on the IAASB CAG Representatives' comments on the project to revise ISA 600 made at the September 2020 CAG meeting; and
 - Update Representatives on the activities of the ISA 600 Task Force (the Task Force) since the September 2020 CAG meeting.

Project Status

2. The IAASB approved the Exposure Draft of Proposed ISA 600 (Revised)¹ (ED-600) at its March 2020 meeting, taking into account the input received from the IAASB CAG. On April 27, 2020, the Board published ED-600 with an extended exposure period due to the effects of COVID-19. Comments on ED-600 were requested by October 2, 2020.
3. In total 83 responses were received from various stakeholder groups:

Monitoring Group	4	Global	21
Investors and Analysts	1	Asia Pacific	14
Regulators and Audit Oversight Authorities	8	Europe	20
National Auditing Standard Setters	12	Middle East and Africa	5
Accounting Firms	17	North America	21
Public Sector Organizations	7	South America	2
Member Bodies and Other Professional Organizations	28		
Academics	4		

¹ Proposed ISA 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*

Individuals and Others	2
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4. After the closure of the exposure period, the Task Force started to analyze the comments from respondents to ED-600 and started to address comments related to some of the identified key themes, being:
 - Scope and applicability;
 - Definition of component;
 - Risk-based approach
 - Communications with component auditors;
 - Definition of engagement team;
 - Materiality; and
 - Documentation.
5. These topics, along with the Task Force's views and recommendations, have been discussed with the Board in the December 2020 IAASB meeting (see **Agenda Item B.3**) or will be discussed with the Board in the March 2021 meeting (see **Agenda Item B.2**).
6. For purposes of the March 2021 CAG meeting, the Task Force will focus on the changes to ED-600 relating to:
 - Scope and applicability (see **Agenda Item B.2**, section I and **Agenda Item B.3**, section I); and
 - Risk-based approach (see **Agenda Item B.2**, section II and **Agenda Item B.3**, section III).

Representatives are encouraged to read these sections in preparation for the CAG meeting.
7. The themes included in paragraph 6 were selected as they received more substantial comments from respondents and during the Board discussion in December 2020. The Task Force also is of the view that these themes would benefit from directional input from the CAG. Representatives will have the opportunity to comment on the other key themes as well.
8. **Appendix A** to this paper provides a history of previous discussions with the IAASB CAG and IAASB on ISA 600, including links to the relevant IAASB CAG documentation.

IAASB CAG Discussion in March 2021

9. For the purpose of the IAASB CAG discussion, the Task Force prepared a presentation with a high-level overview of the responses to ED-600 and the Task Force's views and recommendations relating to scope and applicability and the risk-based approach (**Agenda Item B.1**).

Feedback

10. Extracts from the draft September 2020 IAASB CAG meeting minutes, as well as an indication of how the Task Force or IAASB has responded to the Representatives' comments, are included in the table below.

Representatives' Comments	Task Force/IAASB Response
GENERAL COMMENTS	
<p>Ms. Schiffman noted that ISA 315 (Revised 2019),² proposed ISA 220 (Revised)³ and proposed ISA 600 (Revised) are interrelated. Because the effective dates of these standards are not aligned, she suggested that non-authoritative guidance may be needed for management to understand the effect on audits in the coming years because of the different effective dates of these standards.</p> <p>Mr. Hirai suggested that it was important to align the effective date of proposed ISA 600 (Revised) with the effective dates of the quality management standards.</p>	<p>Point noted.</p> <p>Mr. Jui noted that the Board discussed the issuance of non-authoritative guidance, such as a bridging document or staff guidance, that explains the interactions between the quality management standards and extant ISA 600.⁴</p>
<p>Mr. De Tullio questioned whether the Exposure Draft of proposed ISA 600 (Revised) (ED-600) should specifically address access issues as a result of the COVID-19 pandemic.</p>	<p>Point noted.</p> <p>Mr. Jui explained that ED-600 was approved at the beginning of the pandemic and that additional guidance was added in that regard. He added that if respondents to ED-600 think that more guidance is needed, the Task Force will consider adding application material.</p>
<p>Mr. Thompson noted that some Representatives expressed concerns in the session on the quality management standards that ED-600 may raise concerns about the risk that component auditors may be disadvantaged if work on group audits was concentrated with larger firms, and asked the IAASB to be alert to those concerns.</p>	<p>Point noted.</p> <p>Mr. Jui noted that the ISA 600 Task Force will address any comments in that regard received on exposure and encouraged everyone to listen to the second webinar on ISA 600. In this webinar, the ISA 600 Task Force explained that the involvement of component auditors is often critical in the new approach to planning and scoping a group audit.</p>

² ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

³ Proposed ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

⁴ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Material Presented – IAASB CAG Papers

Agenda Item B.1 Presentation

Material Presented – IAASB CAG Reference Papers

Agenda Item B.2 IAASB Issues Paper March 2021

Agenda Item B.3 IAASB Issues Paper December 2020

Appendix A

Project Details and History

Project: Group Audits – ISA 600

Link to IAASB Project Page: [Group Audits – ISA 600](#)

Task Force Members

The Task Force comprises:

- Len Jui, IAASB Member and Task Force Chair (supported by Susan Jones);
- Josephine Jackson, IAASB Member;
- Edo Kienhuis, IAASB Member (supported by Jamie Shannon);
- Eric Turner, IAASB Member;
- Wolf Böhm, IAASB Technical Advisor; and
- Dora Burzenski, Correspondent Member.

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
Development of Exposure Draft	March 2017 September 2017 March 2019 September 2019 March 2020	June 2017 September 2017 December 2017 March 2019 June 2019 September 2019

		December 2019 January 23, 2020 March 2020
Development of Final ISA	September 2020	December 2020

IAASB CAG Discussions: Detailed References

Project Commencement	<p><u>March 2015</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item B). http://www.ifac.org/meetings/new-york-usa-5</p> <p><u>September 2015</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item F). http://www.iaasb.org/cag/meetings/new-york-usa-0</p> <p><u>September 2016</u></p> <p>See IAASB CAG meeting material (Agenda Item G). http://www.iaasb.org/cag/meetings/new-york-usa</p>
Project Proposal	<p><u>November 2016</u></p> <p>See IAASB CAG meeting material (Agenda Item B). www.iaasb.org/cag/meetings/iaasb-cag-conference-call-november-29-2016-730-am-1030-am-est</p>
Development of Exposure Draft	<p><u>March 2017</u></p> <p>See IAASB CAG meeting material (Agenda Item H). http://www.iaasb.org/cag/meetings/iaasb-cag-meeting</p> <p><u>September 2017</u></p> <p>See IAASB CAG meeting material (Agenda Item G). http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-madrid-spain</p> <p><u>March 2019</u></p> <p>See IAASB CAG meeting material (Agenda Item C) https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-1</p>

	<p><u>September 2019</u></p> <p>See IAASB CAG meeting material (Agenda Item K)</p> <p>https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-2</p> <p><u>March 2020</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item F)</p> <p>https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-3</p>
Development of Final ISA	<p><u>September 2020</u></p> <p>See IAASB CAG meeting material and CAG meeting minutes (Agenda Item C)</p> <p>https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york</p>