

## Agenda Item B.4 For Reference

### Proposed ISA 600 (Revised)<sup>1</sup> – Issues Paper

**Please note: This is the IAASB ISA 600 Issues Paper that will be discussed by the Board at the September 2021 IAASB meeting (Agenda Item 2). This paper is provided to the IAASB CAG Representatives in September 2021 for reference purposes.**

#### Objectives of the IAASB Discussion

The objectives of this Agenda Item are to obtain the Board's input on:

- The draft of proposed ISA 600 (Revised) as presented in **Agenda Item 2-C**, including:
  - The Board's views on the following matters discussed in this Agenda Item:
    - Documentation (Section I-A);
    - Professional skepticism (Section I-B);
    - Consistent use of certain terminology (Section I-C);
  - Other significant changes to the draft since June 2021 as described in **Agenda Item 2-A**; and
- The conforming and consequential amendments arising from proposed ISA 600 (Revised) as presented in **Agenda Item 2-E** and Section I-D of this Agenda Item.
- The ISA 600 Task Force's (the Task Force) analysis of respondents' comments related to questions 1 and 13 in the Explanatory Memorandum (EM) to the [Exposure Draft of Proposed ISA 600 \(Revised\)](#) (ED-600) as described in Section II of this Agenda Item and in **Agenda Item 2-B**.

#### Materials Presented

<b>Agenda Item 2</b>	Issues paper
<b>Agenda Item 2-A</b>	Explanation of significant changes
<b>Agenda Item 2-B</b>	Summary of respondents' comments to questions 1 and 13 in ED-600
<b>Agenda Item 2-C</b>	Proposed ISA 600 (Revised) – Marked
<b>Agenda Item 2-D</b>	Proposed ISA 600 (Revised) – Clean
<b>Agenda Item 2-E</b>	Conforming and consequential amendments arising from proposed ISA 600 (Revised)
<b>Supplements A1-A4</b>	NVivo report with respondents' comments on questions 1 and 13 of ED-600

<sup>1</sup> Proposed International Standard on Auditing (ISA) 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

<b>Supplement B</b>	NVivo summary analysis for questions 1 and 13 of ED-600
<b>Supplement C</b>	Proposed ISA 600 (Revised) in traditional format

## Introduction

1. Since the June 2021 IAASB meeting, the Task Force continued to enhance proposed ISA 600 (Revised) based on the comments received from the Board and the Task Force's further analysis of respondents' comments to ED-600. The Task Force also analyzed questions 1 and 13 in the EM to ED-600. The Task Force's activities since the June 2021 Board meeting are included in **Appendix 1** to this Agenda Item.
2. This agenda item summarizes the Task Force's discussions and views relating to the following topics:
  - (a) Draft of proposed ISA 600 (Revised) and conforming and consequential amendments (Section I)
    - Documentation (Section I-A);
    - Professional skepticism (Section I-B);
    - Consistent use of certain terminology (Section I-C); and
    - Conforming and consequential amendments (Section I-D);
  - (b) The Task Force's views and recommendations related to questions 1 and 13 in the EM to ED-600:
    - Linkages to other standards – Question 1 (Section II-A);
    - Translation – Question 13(a) (Section II-B); and
    - Effective Date – Question 13(b) (Section II-C).
  - (c) Way forward.
3. **Agenda Item 2-A** provides background information on, and an explanation of, other significant changes made by the Task Force to the requirements and application material of proposed ISA 600 (Revised) and the conforming and consequential amendments arising from proposed ISA 600 (Revised).
4. **Agenda Item 2-B** summarizes respondents' comments relating to the following questions in the EM:
  - (a) Question 1 – Linkages between ED-600 and other ISAs; and
  - (b) Question 13 – Translation issues and effective date.

## Approach for the Discussion of the Agenda Items

5. The Task Force Chair will walk through **Agenda Item 2-C** and refer to the related matters highlighted in Section I of this Agenda Item and the matters highlighted in **Agenda Item 2-A**, as appropriate. **Appendix 3** sets out the planned approach for the discussion, with references to the paragraphs in **Agenda Item 2-C**. The Board is requested to provide comments on the requirements and the related application material at the same time.
6. After walking through **Agenda Item 2-C**, the Chair will ask the Board to provide input on:

- (a) The conforming and consequential amendments arising from proposed ISA 600 (Revised) as set out in Section I-D of this Agenda Item and **Agenda Item 2-E**; and
  - (b) The summary of respondents' comments to questions 1 and 13 in ED-600 (as set out in **Agenda Item 2-B**) and the Task Force's views and recommendations as set out in section II of this Agenda Item.
7. **Supplement C** is provided for information purposes only and will not be used during the Board meeting.

## Coordination Activities

### *Liaison with the International Ethics Standards Board for Accountants*

8. In addition to regular liaison between the Task Force's Staff and Staff on the International Ethics Standards Board for Accountants' (IESBA) Engagement Team – Group Audits Independence Task Force (IESBA Task Force):
- The Task Force Chair and Staff met once with the IESBA Task Force Chair and Staff; and
  - The Task Force met once with the IESBA Task Force.
9. In these meetings, the IESBA Task Force (or its Chair) provided input on the draft of proposed ISA 600 (Revised) and the Task Force (or its Chair) provided input on the strawman of Section 405<sup>2</sup> of the IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)*. The draft of proposed ISA 600 (Revised) (as presented in **Agenda Item 2-C**) includes the changes made based on these discussions and **Agenda Item 2-A** describes the rationale for the changes.

### *Liaison with IAASB Task Forces and Working Groups*

10. The Task Force's Staff met with Staff supporting the Complexity, Understandability, Scalability and Proportionality (CUSP) Working Group before the June 2021 IAASB meeting to discuss how the CUSP Working Group's proposed Drafting Principles and Guidelines may need to be considered in drafting proposed ISA 600 (Revised).
11. Subsequent to the June 2021 IAASB meeting, Staff supporting the CUSP Working Group reviewed the draft of proposed ISA 600 (Revised) and provided the Task Force with suggestions for possible revisions to the draft consistent with the CUSP principles and guidelines. As a result, the Task Force made several changes to the draft of proposed ISA 600 (Revised) as presented in **Agenda Item 2-C**, including changes to certain terminology and moving or deleting certain application material. **Agenda Item 2-A** describes the rationale for certain changes that were made based on the suggestions received.
12. The Task Force also obtained input from the Professional Skepticism Working Group (PSWG) (also see Section I-B below) and Technology Working Group. The input from these Working Groups is reflected in the draft of proposed ISA 600 (Revised) as presented in **Agenda Item 2-C**. In addition, the Task Force's staff met with staff supporting the Audit Evidence Task Force to discuss matters of mutual interest.

## Public Interest Issues

13. Throughout the development of proposed ISA 600 (Revised), the Task Force has had the public

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<sup>2</sup> Section 405, Group Audits

interest in mind. The table included in **Appendix 2** sets out the key public interest issues identified by the IAASB in the overall [project proposal](#) approved in December 2016 for *Enhancing Audit Quality*, and as subsequently refined for the project to revise ISA 600<sup>3</sup> as included in the [EM](#) to ED-600. **Appendix 2** also indicates how the public interest issues have been addressed in the latest draft of proposed ISA 600 (Revised), taking into account the comments received in response to ED-600.

## Section I – Draft of Proposed ISA 600 (Revised) and Conforming and Consequential Amendments

### Section I-A – Documentation

#### Related Paragraphs in Agenda Item 2-C:

- Paragraph 45A and related application material (paragraphs A112B–A113)
- Paragraph 49 and related application material (paragraphs A114A–A115C)
- Paragraph 57 and related application material (paragraphs A123B–A130A)

#### Background

##### Previous IAASB Discussions

14. In the June 2021 IAASB meeting, the Task Force presented its proposed revisions to the documentation-related requirements and application material (see Section I-B of [Agenda Item 4 for the June 2021 IAASB meeting](#)). The proposed revisions reflected the Board's input from the March 2021 meeting and the Task Force's further analysis and discussion of respondent comments on ED-600 related to documentation, particularly the suggestions for additional requirements in paragraph 57 of proposed ISA 600 (Revised).
15. The Board was supportive of the revisions proposed by the Task Force, noting that the changes were responsive to the key themes identified in the comments received on ED-600, including comments from Monitoring Group members).
16. Notwithstanding the support received, a concern was raised about the requirement in paragraph 45A of proposed ISA 600 (Revised) for the group auditor to determine "... whether, and the extent to which, it is necessary to review parts of the component auditor's audit documentation." The concern was that the conditional nature of the wording may provide a loophole for the group auditor not to review component auditor audit documentation when such review would otherwise be warranted under the circumstances.
17. The concern noted in paragraph 16 above is related to a broader point raised by a Monitoring Group member and the Public Interest Oversight Board (PIOB) about the group auditor being sufficiently involved in the work of component auditors, including with respect to the direction and supervision of the component auditors and the review of their work.
18. In response to the concern raised, the Task Force explained during the June 2021 plenary session how the various requirements and application material in proposed ISA 600 (Revised) work together to drive the appropriate level of involvement by the group auditor and, as applicable, the group engagement partner. In particular, the Task Force described the interrelationship of paragraphs 12, 23, 45A, and 57(d)–(f), and related application material, in

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

applying the relevant requirements of ISA 220 (Revised)<sup>4</sup> to a group audit. The Task Force also noted the relationship between paragraph 32 of ISA 220 (Revised) and the stand back requirement in paragraph 49 of proposed ISA 600 (Revised), which includes an evaluation by the group auditor of the evidence obtained from the work performed by component auditors as part of the overall evaluation of whether the audit evidence obtained is sufficient and appropriate to provide a basis for the group audit opinion.

19. The Task Force agreed to give further consideration to how these relationships may be further explained in proposed ISA 600 (Revised) and how paragraph 45A and the related application material could be further clarified.

#### *Task Force Discussion and Recommendations*

20. The Task Force discussed ways in which paragraph 45A in **Agenda Item 2-C** could be changed to address the concern raised about the conditional nature of the wording as described in paragraph 16 above. Task Force members' views were mixed about retaining or deleting the reference to "whether" in paragraph 45A.
21. Some Task Force members were of the view that it is appropriate to include "whether" in paragraph 45A because it emphasizes that the group auditor is required to make a positive determination about the need to review parts of the component auditor documentation. It is important to note, however, that this point of view also considers the principles of ISA 220 (Revised) with respect to the direction, supervision and review of component auditors, including that:
  - Several requirements in **Agenda Item 2-C** (e.g., paragraphs 26C, 38, 49) necessitate a review of aspects of the component auditor's work to fulfill those requirements.
  - The work performed by the component auditor also may be reviewed by other members of the engagement team (e.g., an engagement team member from the component auditor's firm), and
  - Significant matters addressed by the component auditors may likely already have been discussed with, and included in the written communications from, the component auditors (including those required by paragraph 44 in **Agenda Item 2-C**).

The requirement in paragraph 45A is therefore a 'stand back' of sorts for the group auditor to reflect on the direction, supervision and review of the component auditors, and the related communications that have occurred, to determine if it is necessary in the circumstances to further review parts of the component auditor audit documentation to conclude on the group audit.

22. Other Task Force members were of the view that "whether" could be removed from paragraph 45A because the wording "extent to which" could mean no review in certain circumstances. These Task Force members noted that paragraph A51 in **Agenda Item 2-C** indicates that the nature, timing and extent of the direction and supervision of component auditors and the review of their work may be tailored based on the facts and circumstances of the engagement. Therefore, the "extent to which" reflects the concept of tailoring embodied in paragraph A51 and allows for professional judgment by the group auditor in making the determination about whether a review of parts of the component auditor documentation is needed in the circumstances.
23. Despite the mixed views as noted above, the Task Force consensus was to retain "whether" in the requirement for the reasons stated in paragraph 21 above. However, the Task Force also

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<sup>4</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

revised paragraph 45A and related application material in **Agenda Item 2-C** as follows to further emphasize what the group auditor considers in making the determination:

- Added a sub-requirement to paragraph 45A (paragraph 45A(c)) to reinforce that the group auditor considers the ongoing direction, supervision and review of the component auditors, including matters communicated by the component auditors. The Task Force noted that communications are an integral part of the direction, supervision and review of component auditors and therefore should be considered together in making the determination required by paragraph 45A (e.g., communications between the group auditor and component auditor may indicate a need to change the nature, timing or extent of the direction, supervision and review of the component auditor). Paragraph A112B was added to provide further guidance in this regard.
- Modified the sub-requirement in paragraph 45A(b) to specifically refer to the required determination of the competence and capabilities of the component auditor in accordance with paragraph 21(a).
- Added paragraph A112Ba to refer to the requirement in paragraph 23 in **Agenda Item 2-C** for the group engagement partner to take responsibility for the nature, timing and extent of direction and supervision of component auditors, and the review of their work (see paragraph 18 above).
- In paragraph A113, added the penultimate bullet and revised the last bullet to address comments from the Board. Board members noted that it was unclear how “the fact that the component auditor’s audit documentation has been subjected to the component auditor’s firm’s policies or procedures for review of audit documentation” would affect the group auditor’s determination of the extent to which it is necessary to review such documentation. The Task Force was of the view that more specific considerations would be the competence and capabilities of the component auditor reviewer(s) and whether the component auditor and group auditor are subject to common policies or procedures for review of audit documentation.
- Given the addition of the sub-requirement in paragraph 45A(c) and the application material in paragraph A112B as described above, deleted the bullet in paragraph A113 regarding matters communicated to the group auditor in accordance with this ISA.

#### *Other Changes to Documentation Requirements and Related Application Material*

24. The Task Force’s proposed revisions to paragraphs 49 and 57 and related application material in **Agenda Item 2-C** are explained in **Agenda Item 2-A**.

#### **Section I-B – Professional Skepticism**

##### **Related Paragraphs in Agenda Item 2-C:**

- Paragraph 5 and related application material (paragraphs A9–A10)

#### *Background*

##### **Previous IAASB Discussions**

25. In June 2021, the Task Force presented to the IAASB its analysis of the comments received from respondents to ED-600 on Question 3 relating to professional skepticism (see Section II of [Agenda Item 4-B for the June 2021 meeting](#)) and its proposed revisions to address the comments received (see Section II-B of [Agenda Item 4 for the June 2021 meeting](#)).

26. The Board expressed strong support for the proposed application material relating to the exercise of professional skepticism in a group audit, including the group audit-specific nature of the guidance and examples. Comments from the Board included the reference to “challenges to the exercise of professional skepticism” in paragraph A9A and whether these are really challenges or matters that may affect the exercise of professional skepticism. The Board also provided suggestions to improve the clarity of the application material.

#### Input from the PSWG

27. Subsequent to the June 2021 IAASB meeting, the Task Force received input from the IAASB’s PSWG on the references to professional skepticism in proposed ISA 600 (Revised). Overall, the PSWG had no fatal flaws on the relevant material in the proposed standard and expressed support for the application material added by the Task Force, particularly in paragraphs A9-A10. The PSWG also noted concerns about the reference to “challenges” in paragraph A9A and suggested putting these points in the context of the importance of exercising professional skepticism in a group audit (i.e., more akin to special considerations).

#### Task Force Discussion and Recommendations

28. Based on the input from the Board and the PSWG, the Task Force made the following changes to proposed ISA 600 (Revised), as reflected in **Agenda Item 2-C**:
- Added paragraph A9AA based on a Board member comment that the first bullet in paragraph A9A related more to the importance of exercising professional skepticism in a group audit rather than challenges.
  - Changed the lead-in wording to paragraph A9A to remove the reference to “challenges” and refer to matters that may affect the exercise of professional skepticism in a group audit.
  - Modified the bullet in paragraph A9A relating to complexity of the group structure to include wording consistent with paragraph A56 of ISA 315 (Revised 2019)<sup>5</sup> and to indicate that an overly complex structure may itself be a fraud risk factor in accordance with ISA 240.<sup>6</sup>
  - Modified the last bullet in paragraph A9A to indicate that tight reporting deadlines may put pressure on engagement team members in completing the work assigned. For example, such demands may restrict the ability of the engagement team to make appropriate judgments, including in the review of the work performed, and appropriately question management’s assertions.
  - Moved paragraph A9B to paragraph A52A as it relates to effective two-way communication between the group auditor and component auditors.
  - Moved the last sentence of paragraph A9C to paragraph A115A as the point relates to the overall evaluation of the sufficiency and appropriateness of audit evidence obtained in accordance with paragraph 49.

#### Section I-C – Consistent Use of Certain Terminology

29. In the June 2021 IAASB meeting, the Board raised questions about the consistent use of certain terminology throughout the draft of proposed ISA 600 (Revised). These comments related to the use of:

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<sup>5</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

<sup>6</sup> ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

- Audit work versus audit procedures; and
  - Group audit versus group audit engagement.
30. The Task Force discussed the references to "audit work" versus "audit procedures" and concluded as follows:
- The Task Force view is that "audit work" refers more broadly to the entirety of the work effort, including with respect to the work requested to be performed by component auditors. For example, audit work would encompass all aspects of planning and performing the group audit, including with respect to direction, supervision and review and including administrative matters (e.g., coordination with management). The Task Force believes that this is consistent with other references to audit work throughout the ISAs.
  - The Task Force has used "audit procedures" in **Agenda Item 2-C** when referring more specifically to the nature, timing and extent of audit procedures to be performed, including when component auditors are requested to perform specified audit procedures.
  - The Task Force noted that two of the references to audit work were taken directly from the wording in other ISAs (i.e., the wording in paragraphs A8A and A123A in **Agenda Item 2-C** is from ISA 200<sup>7</sup> and ISA 265,<sup>8</sup> respectively). Therefore, these references were not changed.
31. The Task Force reviewed the use of 'group audit engagement' throughout the standard and deleted the reference to 'engagement' in a few places (see, for example, paragraphs 5 and 8(c) in **Agenda Item 2-C**). In other instances, references to 'group audit engagement' were retained when it was in the context of acceptance or continuance (e.g., ISA 210<sup>9</sup> refers to audit engagement acceptance) or ISA 220 (Revised), which has many references to 'engagement' in the context of quality at the engagement level.

#### Matter for IAASB Consideration

1. The IAASB is asked for its views on the Task Force's revisions to proposed ISA 600 (Revised), as presented in **Agenda Item 2-C**, with respect to the matters discussed in Section I above.

#### Section I-D – Conforming and Consequential Amendments

32. **Agenda Item 2-E** sets out the conforming and consequential amendments arising from proposed ISA 600 (Revised). Significant changes made by the Task Force from the version that was included as part of ED-600 are explained in **Agenda Item 2-A**.

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<sup>7</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

<sup>8</sup> ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*

<sup>9</sup> ISA 210, *Agreeing the Terms of Audit Engagements*



### Matter for IAASB Consideration

2. The IAASB is asked for its views on the Task Force's conforming and consequential amendments, as presented in **Agenda Item 2-E**, and in particular whether the Board agrees with consequential amendment to ISA 320.<sup>10</sup>

## Section II – Task Force's Views and Recommendations to Question 1 and 13

33. **Agenda Item 2-B** summarizes respondents' comments related to questions 1<sup>11</sup> and 13 in the EM to ED-600. This section describes the Task Force's views and recommendations in response to the comments. The Task Force has now presented the analysis and summaries of respondent's comments to all questions in the EM to ED-600.<sup>12</sup>

### Section II-A: Linkages with Other Standards

34. The Task Force is of the view that many of the matters raised by respondents related to Question 1 of ED-600 have already been addressed by the Task Force as part of the revisions in response to other questions. For example, comments on the linkage with ISA 315 (Revised 2019) often related to the need for a framework in the proposed standard to apply the risk-based approach and have already been addressed as part of the Task Force's response to Question 8 in the EM to ED-600. Comments related to the linkage with ISA 220 (Revised) have been addressed as part of the comments received on the Acceptance and Continuance section (Question 7 in the EM to ED-600).
35. However, the Task Force analyzed and discussed the comments received on Question 1 and has proposed the following changes to Agenda Item 2-C:
  - (a) To enhance the linkage with ISA 620,<sup>13</sup> the Task Force added paragraphs A40C and A95A:
    - Paragraph A40C clarifies that the work of auditor's experts engaged by component auditors forms part of the group auditor's evaluation about whether the component auditor has the necessary competence and capabilities, as required by paragraph 21(a) in **Agenda Item 2-C**. This would include how the competence, capabilities and objectivity of the expert has been evaluated for the auditor's purpose as required by paragraph 7 of ISA 620.
    - Paragraph A95A clarifies that the work of auditor's experts engaged by component auditors forms part of the group auditor's evaluation of the appropriateness of the design and performance of those further audit procedures, as required by paragraph 38 in **Agenda Item 2-C**. This would include the adequacy of the auditor's expert's work for the auditor's purpose as required by paragraph 12 of ISA 620.
  - (b) The linkage to several standards has been enhanced by including a reference to the foundational standard. For example, a reference was added to ISA 250 (Revised)<sup>14</sup> in paragraph A52J and a reference to ISA 240 was added in paragraph A72G.

<sup>10</sup> ISA 320 (Revised), *Materiality in Planning and Performing an Audit*

<sup>11</sup> A summary of respondent's comments on the engagement team definition was discussed in the December 2020 Board meeting. See [Agenda Item 4](#), section IV of the December 2020 IAASB meeting.

<sup>12</sup> For further details, refer to the following agenda materials for the respective IAASB meetings: [Agenda Item 4](#), Sections I-IV (December 2020); [Agenda Item 5](#), Sections IV-V (March 2021) and [Agenda Item 4](#), Section II (June 2021).

<sup>13</sup> ISA 620, *Using the Work of an Auditor's Expert*

<sup>14</sup> ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

## Section II-B: Translation

36. Given that no significant translation issues were identified by respondents to ED-600, the Task Force is of the view that no changes need to be made to the standard to address translation issues.

## Section II-C: Effective Date

37. Taking into account the expected timeline for approval of proposed ISA 600 (Revised) (i.e., IAASB approval in December 2021 and PIOB approval of due process in March 2022)<sup>15</sup> and respondent's comments, the Task Force proposes that ISA 600 (Revised) should be effective for audits of group financial statements for periods beginning on or after December 15, 2023 (i.e., 2024 calendar year audits), with early adoption being permitted and encouraged.
38. In the Task Force's view, this proposed effective date is in the public interest because it would provide for an implementation period of approximately 21 months after PIOB approval of due process or 24 months after IAASB approval of the final standard. This implementation period would:
- (a) Provide stakeholders with sufficient implementation time, including time for translation, changes to firm methodologies and training, and planning and communications by other stakeholders (e.g., audit regulators, national standard setters).
  - (b) Provide for a one-year lag following the implementation of the quality management standards,<sup>16</sup> which has the added benefit of allowing stakeholders to focus attention on implementing those important standards first.
  - (c) Reflect the views of stakeholders as discussed in Section II of **Agenda Item 2-B**, summarized as follows:
    - A Monitoring Group member and 26 other respondents (in total, about 46% of respondents who answered the question on the effective date) agreed with the proposed effective date of approximately 18 months following the approval of the final revised standard. Two Monitoring Group members recommended the earliest possible adoption of the standard.
    - 22 respondents (representing 37% of respondents who answered the question) either supported an implementation period longer than 18 months (e.g., at least 18 months, 24 months or a minimum of 24 months following approval of the final revised standard) or recommended an effective date of financial reporting periods beginning on or after December 15, 2023.
39. The Task Force also considered an effective date of periods beginning on or after June 15, 2023, which would imply an implementation period of approximately 15 months after PIOB approval of due process or 18 months after IAASB approval of the final revised standard. The Task Force was of the view that such a date would not be in the public interest because it would not provide sufficient time for implementation, taking into account the views of respondents to ED-600 as described in Section II of Agenda Item 2-B and paragraph 38 above. In addition, the IAASB has resisted proposing effective dates other than "December 15" due to the number of December

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<sup>15</sup> Since ED-600 was issued, the timeline for the project and the expected date of approval by the IAASB has changed for a number of reasons, including the effects of the COVID-19 pandemic on the IAASB's current work plan.

<sup>16</sup> The quality management standards are ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; ISQM 2, *Engagement Quality Reviews*; and ISA 220

financial year-ends and an evolution in standard-setting over time that has resulted in a preference for a consistent date that takes into account the needs of stakeholders across jurisdictions that have adapted their adoption and implementation processes to a December implementation date. As a result, IAASB standards ordinarily contain December effective dates.

40. The Task Force is of the view that an implementation date after December 15, 2023 is not in the public interest.

### Matter for IAASB Consideration

3. The IAASB is asked for its views on:
  - (a) The summary of respondents' comments to ED-600 and the Task Force's views and recommendations as presented in **Agenda Item 2-B**.
  - (b) Whether there are any issues raised by respondents, in addition to those summarized by the Task Force in **Agenda Item 2-B**, that the Task Force should consider.
  - (c) The proposed effective date as set out in paragraphs 37–40 above.
4. Having received and discussed respondents' feedback to all questions in the EM to ED-600 (see paragraph 33), the Board is asked whether there are any issues raised by respondents, in addition to those summarized by the Task Force, that should be considered in finalizing proposed ISA 600 (Revised)?

### Way Forward

41. The Task Force is planning for the approval of proposed ISA 600 (Revised) at the December 2021 IAASB meeting.
42. After the September 2021 meeting the Task Force will focus on:
  - Further revisions to the draft of proposed ISA 600 (Revised), based on:
    - Comments received from the Board in the September 2021 Board meeting; and
    - Feedback received on outreach with key stakeholders before finalizing the standard; and
  - Liaising with the IESBA Task Force on matters of mutual interest.

## Appendix 1

### Task Force Members and Activities, Including Outreach

#### Task Force Members

1. The Task Force consists of the following members:
  - Wolf Böhm;
  - Dora Burzenski (Correspondent member);
  - Josephine Jackson;
  - Len Jui, Task Force Chair (supported by Susan Jones);
  - Edo Kienhuis (supported by Jamie Shannon); and
  - Eric Turner.
2. Further information about the project can be found [here](#).

#### Task Force Activities

3. Since the end of the June 2021 IAASB meeting, the Task Force held six videoconference meetings.

#### Outreach

4. The Task Force Chair attended the following outreach events or meetings in which proposed ISA 600 (Revised) was prominently discussed:
  - Chinese Institute of Certified Public Accountants;
  - Hong Kong Institute of Certified Public Accountants; and
  - CPA Australia.

## Appendix 2

### Description of Changes Made to Address Identified Key Public Interest Matters

Key Public Interest Matter	Description of Changes Made to Address Identified Key Public Interest Matters	Relevant Paragraphs in Proposed ISA-600 (Revised)
<b>Keeping the IAASB's standard on group audits fit for purpose</b>	<p><i>Scope of the Standard</i></p> <p>Clarified the scope of the standard, through the introductory paragraphs and definitions and related application material, including whether, and how, proposed ISA 600 (Revised) applies to:</p> <ul style="list-style-type: none"> <li>• Shared service centers;</li> <li>• Entities with branches and divisions; and</li> <li>• Non-controlled entities, including equity-accounted investees and investments carried at cost.</li> </ul>	Paragraphs 1, 1A, 1B, 9(b), 9(f) and 9(k).
	<p><i>Linkages with Other Standards</i></p> <p>Clarified and reinforced in proposed ISA 600 (Revised) that all ISAs need to be applied in a group audit engagement through establishing stronger linkages to the other ISAs, in particular to ISA 220 (Revised), ISA 230,<sup>17</sup> ISA 300,<sup>18</sup> ISA 315 (Revised 2019) and ISA 330.<sup>19</sup></p>	Paragraphs 1, 3B, 5, 12, 15, 17, 17A, 20, 21, 23, 24, 26, 26B, 26C, 29, 33, 45A, 47, 49, 56, 56A and 57.
	<p><i>Adaptability and Scalability</i></p> <p>Introduced a principles-based approach that is adaptable to a wide variety of circumstances, and scalable for audits of groups of different complexity, for example by:</p> <ul style="list-style-type: none"> <li>• Focusing on identifying, assessing and responding to the risks of material misstatement; and</li> <li>• Including separate sections throughout proposed ISA 600 (Revised) to highlight the requirements and application material for circumstances when component auditors are involved.</li> </ul>	<p>Paragraphs 5A, 9(b), 24, 26B and 33.</p> <p>Separate sections for circumstances when component auditors are involved.</p>

<sup>17</sup> ISA 230, *Audit Documentation*

<sup>18</sup> ISA 300, *Planning an Audit of Financial Statements*

<sup>19</sup> ISA 330, *The Auditor's Responses to Assessed Risks*

Key Public Interest Matter	Description of Changes Made to Address Identified Key Public Interest Matters	Relevant Paragraphs in Proposed ISA-600 (Revised)
	<p><i>Documentation</i></p> <p>Enhanced the documentation requirements and included application material to emphasize the linkage to the requirements in ISA 230 and to clarify what the group auditor may need to document in different situations, including when there are restrictions on access to component auditor documentation.</p>	Paragraphs 45A and 57
<b>Encouraging proactive management of quality at the engagement level</b>	<p><i>Managing and Achieving Quality in a Group Audit</i></p> <p>Clarified how the requirements in ISA 220 (Revised) apply to manage and achieve audit quality in a group audit, including sufficient and appropriate resources to perform the engagement, and the direction and supervision of the engagement team and the review of its work.</p>	Paragraphs 3B, 6, 12, 20, 21, 22 and 23.
	<p><i>Planning and Performing a Group Audit Engagement</i></p> <p>Established a framework for planning and performing a group audit engagement. The framework emphasizes special considerations for establishing the overall group audit strategy and group audit plan and highlights the importance of involving component auditors throughout all phases of a group audit.</p> <p>Focused the group auditor's attention on identifying, assessing and responding to the risks of material misstatement of the group financial statements, and emphasized the importance of designing and performing procedures that are appropriate to respond to those assessed risks of material misstatement.</p>	Paragraphs 3A, 3B, 3C, 17A, 24, 26B, 33, 34, 35, 36, 49, and 50.
	<p><i>Restrictions on Access to People and Information</i></p> <p>Clarified how to address restrictions on access to audit documentation, people and information in a group audit, including restrictions on access to component management, those charged with governance of the component, component auditors, or information at the components.<sup>20</sup></p>	Paragraphs 16, 17 and 57.

<sup>20</sup> The IAASB recognizes that proposed ISA 600 (Revised) cannot enforce access to people and information, but that it can help by developing guidance for situations where access to people or information is restricted.

Key Public Interest Matter	Description of Changes Made to Address Identified Key Public Interest Matters	Relevant Paragraphs in Proposed ISA-600 (Revised)
	<p><i>Component Materiality</i></p> <p>Clarified how the concepts of materiality and aggregation risk apply in a group audit.</p>	<p>Paragraphs 9(a), 9(e) and 29.</p> <p>Consequential amendments to ISA 320</p>
<p><b>Fostering an appropriately independent and challenging skeptical mindset of the auditor</b></p>	<p><i>Fostering the Appropriate Exercise of Professional Skepticism</i></p> <p>Emphasized the importance of professional skepticism, including when:</p> <ul style="list-style-type: none"> <li>• Determining the direction, supervision and review of the component auditor's work; and</li> <li>• The group auditor's evaluation of whether sufficient appropriate audit evidence has been obtained (including by component auditors) to provide a basis for forming an opinion on the group financial statements.</li> </ul>	<p>Paragraphs 5, 13, 23, 23A, 49, 50 and 51.</p>
<p><b>Reinforcing the need for robust communication and interactions during the audit</b></p>	<p><i>Robust Communications and Interactions Between the Group Auditor / Group Engagement Partner and Component Auditors</i></p> <p>Strengthened and clarified:</p> <ul style="list-style-type: none"> <li>• Communications between the group auditor and component auditors, emphasizing the importance of two-way communications.</li> <li>• Various aspects of the group auditor's interaction with component auditors, including communicating relevant ethical requirements, determining competence and capabilities of the component auditor, and determining the appropriate nature, timing and extent of involvement by the group auditor in the work of the component auditor.</li> </ul>	<p>Paragraphs 18, 19, 20, 21, 22, 23, 23A, 23B, 26, 26A, 30, 37, 38, 39, 40, 44, 45, 45A, 46 and 48.</p>



## Appendix 3

### Approach for the Discussion of the Agenda Items

Section in Agenda Item 2-B	Paragraphs in Agenda Item 2-B
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Objectives	8
Definitions	9–10, A11–A16B
Leadership Responsibilities for Managing and Achieving Quality on a Group Audit	12, A19–A20A
Acceptance and Continuance	13–17, A21–A33
Overall Group Audit Strategy and Group Audit Plan	17A, A33A–A33J
Overall Group Audit Strategy and Group Audit Plan – Considerations When Component Auditors Are Involved	18–23B, A34–A52J
Understanding the Group and Its Environment, the Applicable Financial Reporting Framework and the Group’s System of Internal Control	24–26A, A53–A72A
Identifying and Assessing the Risks of Material Misstatement	26B–26C, A72B–A72I
Materiality	29–30, A73–A77B
Responding to the Assessed Risks of Material Misstatement	33–40, A86–A102
Communication about Matters Relevant to the Group Auditor’s Conclusion	44–46, A111A–A113
Subsequent Events	47–48, A114
Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained	49–51, A114A–A116
Auditor’s Report	52, A117–A118
Communication with Group Management and Those Charged with Governance of the Group	53A–56A, A119A–A123A
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Appendices	Appendix 1–4