

ISA 600, Group Audits

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IAASB Deputy Chair and ISA 600 Task Force Chair

IAASB CAG Meeting

September 2021 Meeting

Outreach, Coordination Activities



Outreach

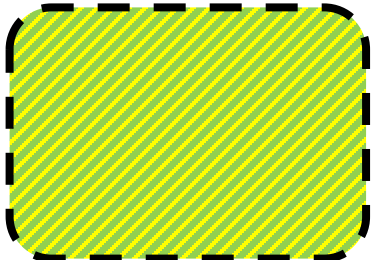
- IOSCO Committee 1
- IFIAR Standards Coordination Working Group
- PIOB
- IFAC's Small and Medium Practices Committee
- PCAOB Staff

IESBA Engagement Team – Group Audits Independence Task Force

Liaison with IAASB Task Forces and Working Groups

- Less Complex Entities
- Complexity, Understandability, Scalability and Proportionality
- Professional Skepticism
- Technology

Heat Map



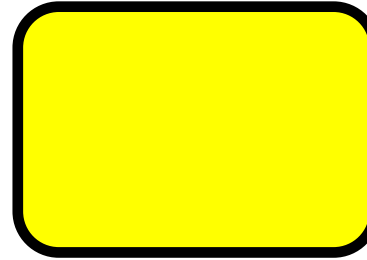
Q1 – Linkages and special considerations



Q2 – Sub-sections for involvement of CA



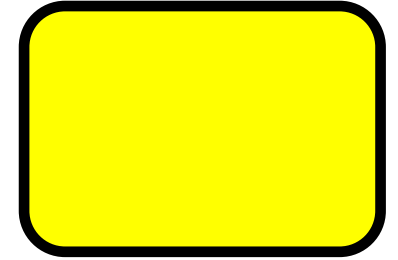
Q3 – Professional skepticism



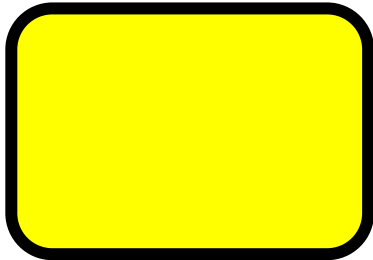
Q4 – Scope and applicability



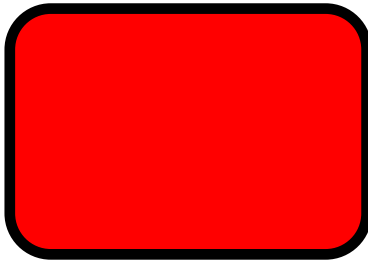
Q5 – Scalability



Q6 – Revised definition of component



Q7 – Acceptance and continuance



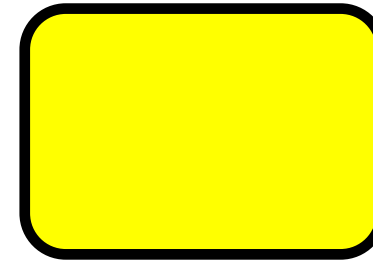
Q8 – Risk-based approach (RBA)



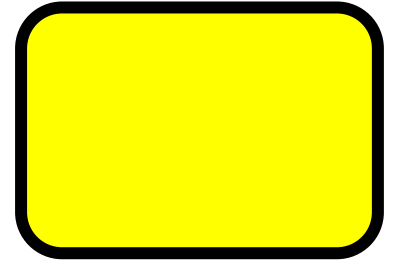
Q9 – Common controls and centralized activities



Q10 – Component performance materiality



Q11 – Documentation



Q12 – Other matters

Green: Broadly agree with proposals

Yellow: Agree with proposals with some concerns

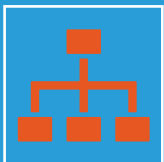
Red: More significant concerns identified

Group Audits – Risk-Based Approach



Continued to enhance structure and focus on iterative nature

- Added special considerations for overall group audit strategy and group audit plan
- Added additional guidance
- Enhanced linkage to ISA 315 (Revised 2019)



Emphasized important role that component auditors play in all phases of a group audit

- Enhanced drafting and use of more neutral language
- Group auditor remains responsible

Matter for IAASB CAG Consideration

Question 1(a)

The Representatives are asked for their views on the changes made to proposed ISA 600 (Revised) related to the risk-based approach

- **Agenda Item B.2**, paragraphs 17A, 24, 26B, 33, 34, 35, 36, 49, and 50
- **Agenda Item B.3**, section I-A

Group Audits – Documentation



Documentation

- General principle for group audit documentation
- Expanded guidance and factors to consider regarding the direction, supervision and review of component auditors
- Strengthened documentation requirements related to
 - Evaluation of competence and capabilities of component auditors
 - Key elements of understanding of group system of IC



Enhanced requirement and guidance for group auditor to determine need to review of parts of component auditor documentation

Matter for IAASB CAG Consideration

Question 1(b)

The Representatives are asked for their views on the changes made to proposed ISA 600 (Revised) related to documentation

- **Agenda Item B.2**, paragraphs 45A and 57
- **Agenda Item B.3**, section I-B
- **Agenda Item B.4**, section I-A

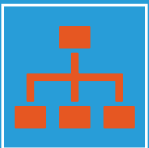
Group Audits – Scope and Applicability



Clarified scope and applicability ('entry point') through definition of group financial statements



Integrated description of consolidation process into definition of group financial statements



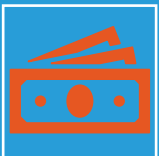
Enhanced Introduction section to highlight scalability and the importance of involving component auditors

Group Audits – Communications / Materiality



Communications

- Principles of two-way communication earlier in standard
- Requirement for communications to take place at appropriate times throughout the group audit
- Form and content of component auditor deliverables depends on nature and extent of work performed



Materiality

- Aggregation risk – proposed definition also in ISA 320
- Component performance materiality – judgment needed
- Additional guidance and examples outside of the standard

Group Audits – Other Matters



Audit evidence from statutory or other audits

- Focus on requirements and guidance for group audits
- Added AM to Intro section to acknowledge that work for group audit may also be used for separate audit of component FS
- Additional guidance outside of standard



Professional Skepticism

- Added application material with guidance and examples specific to group audits
- Input from IAASB Professional Skepticism WG

Matter for IAASB CAG Consideration

Question 1(c)

The Representatives are asked for their views on any other changes made to proposed ISA 600 (Revised)

- **Agenda Item B.2**
- **Agenda Item B.3**, section II-A and II-B
- **Agenda Item B.4**, section I-B

Effective Date



What We Heard

- Sufficient time needed for translation, changes to methodologies and tools, training and communications
- Support for proposed 18-month implementation period, but also support for a longer period (e.g., 24 months or 24+ months)
- Stakeholders already dealing with implementation of other important standards (ISA 315, QM standards)

Task Force Recommendation

- Financial reporting periods beginning on or after December 15, 2023 (2024 calendar year audits)
- Provides appropriate time for implementation, in view of expected timeline for IAASB and PLOB approval (approx. 21 months)
- Reflects stakeholder input and need for effective implementation in the public interest

Group Audits – Timeline

IAASB discussion

September 2021

December 2021

March 2022

Expected PIOB approval of due
process and publication

Expected IAASB approval of
final standard

Matter for IAASB CAG Consideration

Question 1(d)

The Representatives are asked for their views on the proposed effective date of ISA 600 (Revised)

- **Agenda Item B.4**, section II-C



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