

ED – ISA 600 Questions 11(a) - Specific matters that should be documented other than described in paragraph 57.

Question 11.

Do you support the enhanced requirements and application material on documentation, including the linkage to the requirements of ISA 230?

In particular:

- (a) Are there specific matters that you believe should be documented other than those described in paragraph 57 of ED-600?**
- (b) Do you agree with the application material in paragraphs A129 and A130 of ED-600 relating to the group engagement team's audit documentation when access to component auditor documentation is restricted?

Note: for the purposes of the NVivo analysis, responses on this question were separated between the first part of the question and the second part.

Q11(a) – Matters noted

1. Monitoring Group

BCBS

The Committee believes that discussions of significant matters with management, those charged with governance, and others such as regulatory authorities, including the nature of the significant matters discussed and when and with whom the discussions took place should be included in the items in ED-600 paragraph 57 to be documented, in line with ISA 230 paragraph 10. The significant matters discussed at both the group and component level with management and those charged with governance should be documented as they can form part of the group engagement team's understanding of the entity and its environment, risk assessment and/or audit evidence to support conclusions reached.

IFIAR

The requirements of paragraphs 57, and the related application material in A 126 to A 130 of ED-600, include clear linkages to ISA 230. These demonstrate what is expected by the GET. However, we recommend including additional requirements with the appropriate application material related to the level of detail expected to support the GET's review of the CA working papers. The GET should be required to demonstrate the extent of oversight, and how the GET reached its conclusions regarding the sufficiency and appropriateness of the nature and extent of procedures performed by CAs.

While an auditor view of the entities and business units comprising the group for the purpose of planning and performing the group audit may provide more flexibility and potentially assist with the scalability of the standard, the level of complexity in practice for auditors may increase the risk of inappropriate application. There may be an increased risk of inappropriate scoping to achieve efficiencies in the audit at the cost of quality. For example, there is a risk that the group auditor may group entities and treat them as a homogeneous population when it is not appropriate and/or inconsistent with the facts and circumstances of the entities. We recommend the IAASB consider a requirement for the group engagement team (GET) to

document its rationale when the auditor's view of the components differs from management's and the consequential impact of this on the risk assessment, testing of internal controls and substantive testing.

IOSCO

In addition, the Paper references ISA 230, Audit Documentation, which requires that the audit file provide documentation that the audit was planned and performed in accordance with the standards and other legal and regulatory requirements. We question whether reference to ISA 230 is sufficient. Perhaps in addition to references to ISA 230, an explicit requirement within the Paper regarding group audit documentation would be more effective.

Further, we believe certain requirements suggest that in some circumstances, communication is required only if there is an issue identified by the component auditor (e.g., paragraph 44(d)). We encourage the Board to include documentation requirements for each item listed in paragraph 44 so that there is no confusion. For example, 44(d) would require the component auditor to state explicitly whether they have, or have not, identified any management bias, and if there is potential bias, to provide further explanation.

Relatedly, we note that paragraph 44 of the Paper references the component auditor's communication with the group engagement team regarding information on instances of non-compliance with laws or regulations. However, the scope of the requirement is unclear. Does the requirement refer to the component's compliance or solely to group management's compliance or both? Further, what is the threshold for the group engagement team documenting non-compliance matters? In addition, should trivial matters be documented, or to whom does the applicable Code of Ethics apply?

Separately, paragraph 57 states that:

"In applying ISA 230, the group engagement team shall include in the audit documentation: (Ref: Para. A124, A129–A130)

Significant matters related to restrictions on access to people or information that were considered before deciding to accept or continue the engagement, or that arose subsequent to acceptance or continuance, and how such matters were addressed."

While we appreciate the inclusion of a requirement to document significant matters related to restrictions on access to people or information, we believe the requirements and the related Application Material (paragraphs A124, A129–A130) are lacking in sufficient specificity to direct the auditor's work effort. We encourage the Board to include additional details on what is required. For example, the auditor should be encouraged to request the assistance of the group's and/or component's audit committee, where applicable, to obtain the necessary access and/or documentation. Further, where appropriate access is not possible or access issues are outside the control of the auditor, we encourage the Board to emphasize in the Paper the group auditor's responsibility to evaluate whether sufficient appropriate audit evidence could be obtained through alternative audit procedures or if the audit opinion may need to be modified because of a limitation of scope to minimize the likelihood of an unnecessary delay in finalizing the audit report.

We appreciate the enhanced documentation requirement in paragraph 57. However, we believe the concept discussed in paragraph A124, where "the audit documentation for a group audit engagement needs to be sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the audit procedures performed, evidenced obtained, and the conclusions reached with respect to significant matters arising during the group audit" is critical and should be explicitly stated within the requirements of the standard. In addition, we believe the Paper needs to require the group auditor to document that it has obtained a sufficient understanding of the components.

3. Regulators and Audit Oversight Authorities

CEAOB

Deficiencies in documentation are also a key concern identified during many inspections by audit regulators. We suggest adding an explicit reference for compliance with ISA 230 in the text of ED 600 and elaborating further on the specificities of the group audit in this regard, especially with regard to the need to document the group engagement team's conclusions drawn from component auditors' procedures to enable an external evaluation (e.g. by the audit oversight bodies).

Taking into consideration our previous comments additional audit documentation should be required on the group audit file in paragraph 57 such as:

State and document the group engagement team's rationale for the audit documentation of the component auditor selected for review. This provision is currently included in the application and other explanatory material paragraph A126 and should be elevated to a requirement;

State and document the nature, timing and extent of the audit procedures performed by the component auditor (including relevant audit evidence obtained by the component auditors) that have been reviewed by the group engagement team;

State and document the result of those reviews, including, where necessary, the follow-up on the outcome of those reviews;

Emphasis on the fact that the documentation included in the group audit file should be sufficient to enable an evaluation whether the group engagement team has obtained sufficient and appropriate audit evidence (including on the work performed by component auditors) on which to base the group audit opinion;

Document the procedures performed when assessing the competence and capability of the component auditor and the result of those procedures (refer to paragraph A41).

This audit documentation concerning the review of the work performed by component auditors could take the form of a written memorandum or report prepared by the group engagement team.

CPAB

The requirements of paragraph 57 and the related application material in A 126 to A 130 of ED-600 include clear linkages to ISA 230. These demonstrate the requirement of what is expected by the group engagement team. However, we recommend including additional application guidance related to the level of detail expected to support the group engagement team review of the component auditor working papers. The group engagement team should be required to demonstrate the extent of oversight, and how the group engagement team reached their conclusions regarding the sufficiency and appropriateness of the nature and extent of procedures performed by the component auditors.

IAASA

Deficiencies in documentation are also a key concern identified during many inspections by audit regulators. We suggest adding an explicit reference to compliance with ISA 230 in the text of ED 600 and elaborating further on the specificities of group audit in this regard, especially with regard to the need to document the group engagement team's conclusions drawn from component auditors' procedures to enable an external evaluation (e.g. by the audit oversight bodies).

Taking into consideration our previous comments, additional audit documentation should be required on the group audit file (paragraph 57 of ED600) such as:

State and document the group engagement team's rationale for the audit documentation of the component auditor selected for review. This provision is currently included in paragraph A126 of the application and other explanatory material and should be elevated to a requirement;

State and document the nature, timing and extent of the audit procedures performed by the component auditor (including relevant audit evidence obtained by the component auditors) that have been reviewed by the group engagement team;

State and document the result of those reviews, including, where necessary, the follow-up on the outcome of those reviews;

Emphasis that the documentation included in the group audit file should be sufficient to enable an evaluation whether the group engagement team has obtained sufficient and appropriate audit evidence (including on the work performed by component auditors) on which to base the group audit opinion; and

Document the procedures performed when assessing the competence and capability of the component auditor and the result of those procedures (refer to paragraph A41).

This audit documentation concerning the review of the work performed by component auditors could take the form of a written memorandum or report prepared by the group engagement team.

IRBA

We recommend that the IAASB considers documentation of the following matters in paragraph 57 of ED-600:

Matters required by paragraph 31 of ED-600;

Scoping of the group audit (refer to paragraph 37 in this comment letter where this suggestion is provided in more detail);

ISA 230 specific matters, including the assembly of the group audit file (refer to our comments in paragraphs 11 and 12 in this comment letter);

How the group engagement team evaluated the audit evidence (including the group engagement team's review of the component auditor's working papers) to form an opinion on the group financial statements; and

Group instructions, where applicable.

UKFRC

Requirements

In respect to the requirements, we believe that some of the additional complexities and challenges that arise in a group audit engagement should be evidenced in the engagement file. In this regard, we believe that additional documentation requirements are appropriate in the following areas:

The fulfillment of responsibilities relating to relevant ethical requirements of the engagement team (through enhanced links to the documentation requirement in ISA 220).

The basis for the group engagement partner's determination that CAs have the appropriate competence and capabilities, including sufficient time.

The basis for the determination of component performance materiality and the threshold for communicating misstatements in component financial information to the GET

The basis for the GET's conclusion that sufficient appropriate audit evidence has been obtained from the audit procedures performed with respect to the work performed by CAs.

In general, we support the enhanced requirements and application material on documentation including the linkage to the requirements of ISA 230. However, there are areas where the standard, as drafted, is in need of further work. We recommend the following enhancements:

4. National Auditing Standard Setters

AICPA

Review of the Component Auditor's Work

Paragraph 57(d) requires the group engagement team, in applying ISA 230, Audit Documentation, to include in the audit documentation "the nature, timing, and extent of the group engagement team's direction and supervision of component auditors and the review of their work." As currently drafted, the requirement implies that review of the work of component auditors is always required; however, it is not clear whether this is the intent of the IAASB based on the related requirement in paragraph 45(b). If the intent of the IAASB is that review of the work of component auditors is not always required, then the requirement in paragraph 57(d) should be further clarified, for example as follows:

57 In applying ISA 230, the group engagement team shall include in the audit documentation: (Ref: Para. A124, A129–A130) ...

(d) The nature, timing and extent of the group engagement team's direction and supervision of component auditors and if necessary, the review of their work. (Ref: Para. A125–A128)

AUASB

The AUASB considers that the documentation requirements could be strengthened if it is explicitly tied into the requirements of paragraphs 49-51 with respect to the overall assessment of sufficiency and appropriateness of audit evidence. The IAASB could also consider the following documentation requirements:

The nature, timing and extent of the group engagement team's work over group management activities such as the consolidation process.

The group engagement team's evaluation of the aggregated misstatements identified (whether by the group engagement team or component auditors) on the group financial statements.

HKICPA

We would like to have further guidance on what is expected in respect of documentation in a group audit file to be provided in ED-600.

According to paragraph 87 of the explanatory memorandum, the audit documentation for a group audit engagement includes documentation of the nature, timing and extent of the work performed by component auditors related to a component. Such documentation may reside in the component auditor's audit file and need not be replicated in the group engagement team's audit file. While paragraph 57(d) of ED-600 requires the group engagement team to document the review of component auditors' work, paragraph A127

states that the nature and extent of the review of component auditor documentation by the group engagement team is a matter of professional judgment.

In practice, we note instances that documentation in a group audit file only provided a brief description of the procedures carried out by component auditors; the group auditor considered that since the component auditor is one of its network firms, the marking of the results as “satisfactory” by the component auditor meant that the component auditor had complied with its network firms’ audit methodology. However, we consider such extent of documentation is insufficient under paragraph 8 of ISA 230, Audit Documentation, which requires the audit documentation to enable an experienced auditor having no previous connection with the audit to understand the audit procedures performed and audit evidence obtained. Also, we doubt whether simply including or referring to component auditors’ working papers would be sufficient to demonstrate the group auditor’s evaluation of the work of component auditors, particularly on significant audit risk areas upon which ED-600 requires focus.

Under ED-600, an engagement team comprises the group engagement team and component auditors. In the absence of an explicit documentation expectation, there is a risk that the group auditor would not devote sufficient consideration and attention to document the work performed by component auditors and his/ her evaluation on the sufficiency and appropriateness of component auditors’ work who, under ED-600, is in the same “engagement team” as the group auditor.

To fulfil paragraph 8 of ISA 230, we believe, for instance, the group audit file should document matters discussed in ED-600 paragraph A130 even when there is no access restriction to component auditor documentation:

A description of the audit procedures performed by component auditors on matters relevant to the group audit, i.e. the nature, timing and extent of the work performed by component auditors;

Evidence obtained from performing the procedures; and

Findings and conclusion thereto by the component auditor.

In addition, we believe the group auditor should document his/ her assessment on the sufficiency and appropriateness of the component auditors’ work and whether further audit procedures are needed at the group level.

We also note that ED-600 does not include any documentation requirement regarding the competence of the component auditor to establish a basis for relying on their work although there is a requirement to consider this under paragraph 21(a). We recommend ED-600 to include an explicit requirement to document the basis for this conclusion.

In summary, we recommend the IAASB to strengthen the documentation guidance in ED-600 in the context of a group audit, particularly on how to illustrate the compliance with applicable ISAs in the group audit file, and segregate the guidance for the following scenarios:

Group auditor and component auditors are in the same firm/ network firm;

Group auditor and component auditors are in different jurisdictions; and

Group auditor with restricted access to component auditor documentation (addressed in ED-600 paragraph A130).

It will be of stakeholders' interest if the IAASB could develop illustrative documentation expected in a group audit file on work performed by a component auditor in the context of ED-600 and requirements in other applicable ISAs.

We noted that the IAASB considers providing audit documentation examples other than those addressed in paragraph 57(e) of ED-600 might be viewed as insufficient given the wide variety of group audits. However, we believe there is merit in being more specific in the standard given the reasons described above and the complicated regulatory environment nowadays. For example, an auditor of a Hong Kong listed company might be subject to the monitoring of several local and overseas regulators if the auditee is simultaneously listed in another stock market or incorporated outside Hong Kong. We believe more explicit documentation guidance would promote consistency in regulatory application of ED-600 among jurisdictions.

IDW

The third and fifth bullet points in paragraph A126 refer to the communication of matters and changes, respectively. In our view, only significant matters discussed in teleconferences or videoconferences with component auditors or component management (third bullet) and significant changes in the planned nature and extent of involvement with component auditors, and the reasons why (fifth bullet), need to be documented. For this reason, both the third and fifth bullets should begin with the word "significant".

There are no specific matters that we believe should be documented other than those described in paragraph 57 of the draft.

JICPA

Paragraph 43 requires the group engagement team to communicate with the component auditors about their responsibilities and the group engagement team's expectations. We believe that this communication should be documented. Alternatively, we suggest that an application material describe the usefulness of its documentation, even though it is not a requirement.

KSW

We agree with the specific matters for documentation listed in paragraph 57 of ED-600 and do not see need for additions. However, the new requirement could result in quite extensive additional documentation, e.g. the documentation of the (planned) direction, supervision and review of all components.

MIA

The AASB supports the enhanced requirements and application material on documentation. The guidance relating to the GET's audit documentation when access to component auditor documentation is restricted is helpful.

One of the significant changes being made to the requirements of ISA 300, which will apply to all audit engagements is that the planned direction, supervision and review of the engagement team (including all components) need to be documented as part of the planning documentation. This will give rise to significant increase in the planning documentation, especially for those large and complex group audit engagements.

However, the documentation requirement in relation to the planned direction, supervision and review of the engagement team is unclear on whether or not the documentation requirement could be satisfied through signing off planning documentation or there is a need for more detailed documentation outlining the rationale for assigned work, individuals and reviewers. Further consideration on the nature and extent of

audit documentation will be helpful to clarify the current requirement. Further clarity relating to the extent of evidence that is expected to be retained in the group audit documentation where a component auditor is involved in the risk assessment process would be helpful.

NBA

In other paragraphs, there is some attention to instructions, memo's and reporting packages. However, there is not a single place where this is concentrated as Appendix 5 of the current ISA 600 has been removed (see also Q8a). We recommend investigating how this can be restored.

In paragraph A124 is stated that no replication is necessary. Nevertheless, audit over-sight bodies and regulators might expect this. We recommend to add that this should be considered.

Paragraph 57 is difficult to read as in paragraph 57e (i) reference is made to paragraphs 27-28, 41 and 44. We recommend considering whether these requirements should be duplicated here.

5. Accounting Firms

BDO

We agree with the clarification of the requirements around documentation in a group audit, including when access to component auditor documentation is restricted. However, we would also welcome additional guidance on the extent of expected documentation in terms of audit evidence obtained by component auditors in the group engagement audit documentation. This would be particularly useful when there are no restrictions on access to component auditor documentation; if ISA 230 is relevant on group audits, interpretations are needed about how much of the component auditor documentation to include in the group audit file as there seems to be a different expectation than on a single entity audit. Particularly if component auditors are part of the engagement team, the expectation could be that all component auditor documentation should be in the group audit file. This is clearly not practical and ED-600 specifically states in paragraph A124 that such documentation may reside in the component auditor's file and need not be replicated in the group audit file. The extent to which component auditor documentation is included in the group audit file is a matter of professional judgment but guidance would be helpful on factors to consider in making this professional judgment. We would support this additional guidance being presented outside of the ISA by way of implementation support materials.

ED-600 also stresses the importance of two-way communication between group and component auditors and highlights in the documentation requirements (ED-600.57(e)) matters to be documented in respect of communication with component auditors. While we are supportive of this approach, and notwithstanding the content in ED-600.A126, there may be a need to provide further guidance or implementation support materials to explain the extent of documentation that is likely to be necessary to corroborate ongoing two-way communication activities (i.e., not just communication events at key milestones).

CG

Paragraph 57 provides an appropriate listing of what ought to be included in audit documentation. Were the list to be extended, an explicit reference to the assessment of the competence and quality of component auditors might be appropriate.

DTT

DTTL supports the audit documentation requirements in paragraph 57 of ED-600. However, DTTL believes that the application material in paragraph A124 of ED-600 may have varying interpretations as to the extent of documentation to be included in the group engagement file, given the subjectivity of this judgment (and therefore, consistency in documentation across engagements is likely not going to be achieved).

DTTL strongly agrees with the application material as it relates to the component auditor documentation, and that such documentation “need not be replicated in the group engagement team’s audit file.” DTTL believes, however, that further clarification is of particular importance especially given the amendment of the engagement team definition in proposed ISA 220 (Revised) to explicitly include component auditors. Without additional guidance, stakeholders may infer that the component auditor engagement file is also an extension of the group engagement team audit file. DTTL does not believe this is the intent of ED-600 and recommends illustrative examples be added to demonstrate the considerations relevant to determining the component auditor documentation that may be included in the group engagement team audit file.

Further, DTTL notes that paragraph A124 of ED-600 indicates that the group engagement team may determine that it is appropriate to include certain of the component auditor documentation in the group engagement team audit file. While DTTL agrees that this determination is the purview of the group engagement team, the ability to include certain component auditor documentation may be subject to local laws and regulations, including privacy restrictions, that may be in effect in the component auditor’s jurisdiction. DTTL believes that if the group engagement team anticipates the necessity to include certain audit documentation from a component auditor in the group engagement team audit file, the group engagement team likely should engage in timely two-way discussions with the component auditor regarding the ability of the component auditor to provide the information, such that the group engagement team is able to take appropriate action as needed. DTTL recommends adding the following new application material to paragraph 37 of ED-600 to address this matter:

A101A. For circumstances in which the group engagement team anticipated that it may request the component auditor to provide component auditor documentation to include in the group engagement team audit file, the group engagement team may engage in two-way communication with the component auditor such that the group engagement team is made aware of on a timely basis, and understands the reasons for, any restrictions as it relates to the sharing of audit documentation.

DTTL also believes that the application material may be enhanced to address the documentation considerations related to the extent to which the group engagement team is involved in the direction and supervision of the component auditors, and the review of their work. DTTL notes that this involvement is affected by the understanding of the competence and capabilities of the component auditors. DTTL recommends enhancing paragraph A125 of ED-600 as follows:

A125. ISA 30061 requires the auditor to describe, in the group audit plan, the nature, timing and extent of the planned direction and supervision of engagement team members and the review of their work. The extent of direction and supervision by the group engagement team in the work of component auditors is impacted by the group engagement partner’s determination of the component auditor’s competence and capability.

EYG

ED-600 paragraph 57 does not include documentation of the scoping of the group audit. Although we agree with paragraph 57(b), which is the determination of components (under the new definition), the work

assigned to those components seems to be missing. We understand that the IAASB has considered this as part of the updates made to ISA 300, Planning an audit of financial statements, where the engagement partner is now required to approve the overall strategy and audit plan and that the group audit scoping would fall under this requirement. However, this may not be intuitive to all and given the group audit scoping is specific to ISA 600, this seems to be an important element missing in the documentation requirement paragraph of ED-600.

The expected documentation of the risk assessment procedures could also be clarified. In particular, when the group engagement team involves component auditors, it is unclear what extent of evidence or workpapers the group engagement team needs to retain as evidence of its review when both the group engagement team and the component auditors are involved in identifying risks of material misstatement in the group financial statements. Also refer to Question 8(b) on the review of the component auditor's documentation.

GT

We are of the view that further clarification of certain of the requirements would be warranted. For example:

Paragraph 57(d) requires documentation of the extent of the group engagement team's direction and supervision of the component auditors and review of their work. We are of the view that further guidance is needed in relation to extent of documentation required and how that documentation may be tailored to each of the individual components. For example, in relation to direction and supervision; it does not seem reasonable to expect that every communication with the component auditor is recorded; where this is via email, that each email forms part of the audit documentation; or that the same extent of documentation is retained for each component irrespective of the type and extent of procedures being performed at that component. We also recommend that further guidance is provided on the level of documentation that is required to be included in the audit file of the group engagement team that pertains to the component auditor's work, including in relation to the review of the component auditor's work performed by the group engagement team and extending to the actual working papers of the component auditors. In this respect, as noted above, we recommend that consideration is given to the requirements in AS 1215, which address the component auditor's documentation to be reviewed by the group engagement team; for example, an engagement completion memorandum with a predetermined minimum content, details of the significant risks, responses and results of the component auditor's related procedures thereto, matters affecting the consolidation of the financial statements and so on.

Paragraph 57(e) includes documentation requirements with respect to matters related to communication with the component auditors. Guidance on the formality, or otherwise, in relation to these communications would be helpful in circumstances where the component auditor is located in the same office as the group engagement team; and if less formal communications are permissible, the extent of documentation required to evidence appropriate direction supervision and review of the work of that component auditor

KPMG

We welcome the enhancements to the documentation requirements to emphasise the link to ISA 230, Audit Documentation. We note that the revised requirements are broadly similar to the requirements in the extant standard, for example, in relation to an analysis of the components, component materiality and involvement in the work of the component auditors.

We recommend that the IAASB also explore the inclusion of additional documentation matters regarding the determination of whether and how to involve component auditors, at A126, to complement our suggested enhancements in our response to Question 8.

We note that A124 sets out that audit documentation for the group audit includes documentation of the nature, timing and extent of the work performed by component auditors and that this may reside in the component auditor's audit file and need not be replicated in the group engagement team's audit file.

This guidance is very helpful, especially in light of the changes to ISA 220 (Revised), as a result of which the group engagement team now also encompasses component auditors and therefore some may consider that all audit documentation is documentation of the group engagement team and therefore should be included in the group engagement team's audit file.

However, the paragraph further notes that the group engagement team may determine that it is appropriate to include certain of the component auditor's documentation in the group engagement team's audit file. The extent to which such component auditor documentation is included in the group engagement team's audit file is a matter of professional judgement. Accordingly, we suggest that the application material provide factors to consider in making this determination, otherwise the guidance appears to be unclear and contradictory, and may lead to inconsistency in practice. In particular, it would be helpful to clarify whether the "original" component auditor documentation, or documentation that is similarly detailed, should generally be included on the group engagement team's file, with evidence that the group engagement team has reviewed such documentation. Alternatively, we suggest that the standard clarify that a more summarised form would be sufficient. Such summarised documentation may be primarily focused on the actions taken by the group audit team to understand significant risks and the audit procedures performed by component auditors in response to these, without necessarily including all the related detailed testwork itself.

MAZ

Paragraph A124 uses the term "significant matters" to describe what is required to be documented. It would be helpful to define the term "significant" or "significant matters" within the context of the documentation.

MAZUSA

Response: In addition to the matters discussed in paragraph 57 of ED-600, we believe that the documented communications from the group engagement team should include communication, to impacted component auditors, of the results of control testing or substantive testing performed by the group auditors or other component auditors which reasonable could be relied up on by the components auditors in assessing risk and the nature and extent of testing to be performed.

MGN

We support the enhanced requirements and application material on documentation. We agree that the extent of component auditor documentation on the group engagement file is a matter of judgement for the group engagement team, however we note that there may be practical issues arising from the use of automated audit tools which may not necessarily be compatible. We would therefore welcome additional practical guidance in this area including guidance directed at component auditors regarding the provision of access and information as requested. In particular it would be helpful if additional practical guidance was provided relating to what is acceptable in those circumstances where audit tools are incompatible. Absent such guidance inconsistency between jurisdictions will persist. This could be a disincentive to the use of

component auditors (even when that would be appropriate) or to the use of component auditors from outside the group auditor's network.

We would welcome it if the IAASB would consider addressing the issue of who is ultimately responsible for assembling and archiving a group audit file in light of the different audit firms that may be involved at component or group engagement team level, as well as the possibility of restrictions on access outside the control of the group management.

NEXIA

Yes. We support these, however we also refer to our answer in question 7 above.

Yes, we support these.

United Kingdom 1

There is no specific requirement regarding the level of documentation regarding the component / component auditor to be included on a group engagement file.

Recommendation: more detail / linkage to be provided for requirement as per ISQM 1 par 37(f) in respect of assembly of documentation. This is specifically for where documentation for consolidated amounts are retained in engagement files of components.

SOUTH AFRICA

Other matters that guidance should be provided on documentation include:

ISA 600 does not specifically address cross border audit arrangement when there are no components but the books and records of the entity are kept and audited by another auditor oversea and audit report is signed by a local public accountant (ie cross border performing office and signing office arrangement)

ISA 600 should provide specific guidance on the use of technology and documentation standards for review of component auditors' work papers via virtual and technological software.

ISA 600 should provide guidance on the extent of documentation required by the Group Auditors when the components apply data analytics in their audit

Are there any difference in the responsibilities of the group auditors when there is joint audit sign off by the Group Auditors.

Agree. The application falls back on ISA 230 Documentation since it indicates that "The group engagement team uses professional judgment in determining the nature and extent of such documentation to include in the group engagement team's audit file, in view of the requirements of ISA 230."

At this time, we do not note any specific matters that you believe should be documented other than those described in paragraph 57.

United states 1

United States 2

SINGAPORE

PwC

As a result of the revised Quality Management standards the conforming amendment to ISA 300 to require a description of the planned direction, supervision and review of the engagement team (including component auditors) to be documented may result in extensive additional documentation as part of the overall planning of the group audit, especially for larger groups involving many components. Depending on the extent of changes made to the engagement team and the initial audit plan, this could also result in an ongoing burden throughout the entire engagement. While existing ISA 300 paragraph 11 required the auditor to plan the direction, supervision and review of the engagement team, which would have resulted in a level of documentation, we believe the focus on a description creates expectations that may be onerous.

As this change has been approved as a conforming amendment resulting from ISA 220, and not directly exposed for comment, we recommend ISA 600 needs to address expectations for the nature and extent of documentation the Board envisages in meeting this requirement in the context of a group audit. This seemingly open-ended requirement could range from a simple sign-off requirement in relation to the engagement's planned procedures and work allocation, to a more significant exercise where rationale for specific procedures, assigned individuals and reviewers is recorded. We believe that the nature and extent of documentation requirements such as these are likely best addressed at the firm level within a firm's policies and procedures. For example, the use of technology such as documentation software could permit the former approach (a sign-off requirement) to be built into a required workflow automatically, with little manual documentation needed. Application material could address such considerations.

With respect to paragraph 57(d), extant ISA 600 requires that the group engagement team document their direction, supervision and review of significant components. The new proposed requirement would apply in respect of every component within the group at which audit work is performed, which may give rise to a significant increase in documentation that is not commensurate with assessed risk. While the standard indicates that the nature and extent of documentation would be expected to scale in line with the level of assessed risk and other factors, we suggest further clarification be given in the application material that a firm's policies and procedures may address the nature and extent of documentation of direction, supervision and review relative to the scope of work and risk of the component.

RSM

In some situations, there are inconsistencies of information identified by the group engagement team and the conclusions provided by the component auditor. We believe that additional guidance could be included in this area.

6. Public Sector Organizations

AGA

I have no additional matters that I would include to be documented however I think the IAASB should clarify where the documentation can be reasonably completed. Specifically for group audits when the component auditor is from the same firm. It would improve efficiency if the application guidance included, "When the group auditor and component auditor are from the same firm, the group auditor may decide to document their compliance with ED-600.57 in either the group engagement team's audit file or within the component auditors audit file. Such documentation may include the review of key position papers, meeting minutes and other key audit working papers." This approach would be appropriate to increase efficiency and avoid duplicate documentation.

AGM

Yes, we are in favour of the enhanced requirements and application material of documentation, including linkages to the requirements of ISA 230 standard.

However, we consider that the documentation requirements should also include risks analysis and components identification, skills documentation, independence and the capacities of component auditors.

7. Member Bodies and Other Professional Organizations

CPAA

(a) We agree with the IAASB's proposals and believe that paragraph 57 appropriately outlines what should be documented. However, we recommend that a linkage be identified between paragraph 57 and paragraphs 49-51 on sufficiency and appropriateness of audit evidence. This could be achieved by requiring documentation in paragraph 57 of the evaluation and considerations required in paragraphs 49-51.

Documentation requirements could also include evidence required to be obtained under paragraphs 34-36, in relation to the consolidation process.

IBRACON

The documentation regarding the scoping of group audit seems to be key documentation for the scope of ED-600, however it does not appear as a documentation requirement in paragraph 57. We believe requirement for documentation about scoping should also be included in this paragraph.

Considering the fact that component auditors are part of the engagement team, the expectation could be that all component auditor documentation should be in the group audit file, which is not practical. So, clarifying the exercise of professional judgment in evaluating factors to consider the appropriate level of documentation would be appreciated.

ICPAS

Response: In addressing both 11. (a) and (b), we would like to see more information on the extent of documentation required in connection with the review of component auditor workpapers, specifically when the component auditors are from different firms than the group auditor. We would also like to see addressed documentation considerations when component audits are conducted in a different language than the group audit.

IPA

Except for the documentation relating to the communication between the group engagement team and component auditors as noted Question 8, we support the requirements and application material on documentation.

ISCA

We welcome the enhancements to the documentation requirements to emphasise the linkage to ISA 230 Audit Documentation.

Paragraph A124 states that audit documentation may reside in the component auditor's file and need not be replicated in the GET's audit file. However, the paragraph further notes that the GET may determine that it is

appropriate to include certain of the component auditor's documentation in the GET's audit file, the extent to which is determined by the GET.

For consistency in practice, we recommend providing factors to consider in determining whether and what part of the component auditor's documentation should be included in the GET's audit file in the application material. Otherwise, it would be helpful to clarify whether the "original" component auditor documentation (source working papers), or documentation that is similarly detailed, should generally be included in the GET's file, with evidence that the GET has reviewed such documentation, or a more summarised form of component auditors' documentation, which primarily focuses on actions taken by the GET to understand significant risks and audit procedures performed in response to those risks, would be sufficient.

We welcome the inclusion of guidance under paragraphs A129 and A130 to address circumstances when laws and regulations in the component auditors' jurisdictions may limit the ability of the group engagement team to access the component auditor's documentation.

We consider it helpful that the application material includes guidance that the GET's audit documentation may need to include a description of the audit procedures performed by the component auditor on matters relevant to the group audit, the evidence obtained and the findings and conclusions reached. Similar to our point above, it would be helpful to clarify whether a memorandum from the component auditor providing summarised details of the work performed and related findings would be appropriate, or whether the detailed test work itself would need to be included.

To this end, we suggest that further clarity could be provided as to what constitutes group audit documentation and where this should reside.

To provide practical guidance, we are of the view that the application material can be further expanded to provide illustrative examples over the following areas:

Examples of what would clearly constitute insufficient documentation.

Example of supplementation documentation where it is not apparent from the reporting deliverables that significant risks of misstatements have been addressed.

Example of documenting communication with component auditor to be retained as audit evidence.

Example of documenting GET's assessment of the component auditor's work

We would like to share an audit practice bulletin issued by our regulator in December 2015 – Audit Practice Bulletin No. 1 of 2015: Audits of Group Financial Statements (including the work of component auditors) which includes illustrative examples on GET's audit documentation for the IAASB's reference.

KICPA

We believe most of the matters regarding documentation are sufficiently described in paragraph 57. In addition, we would like to recommend more clarity on the following matters: ① whether video clips, such as webinars, or audio files, such as mp3, should be included in documentation; ② the proposed ED requires the group engagement team to make a decision on component auditor working papers that are included in working papers of the group engagement team, exercising professional judgments, then, more clarity should be made as to what to consider for the decision. For one, paragraph 124 indicates that all of the component auditor's audit file don't need to be replicated in the group engagement team's audit file, but documentation on the outcome of risk assessments is necessary, considering that component auditors are considered a part of the group engagement team, then more clarity should be made on what needs to be considered from

the perspective of professional judgement, in relation with such documentation; ③ more clarity should be made as to whether the conclusion on the risk assessment has to be documented in the working papers of the group financial statements, when risk assessment procedures are assigned to component auditors (A83).

MICPA

Paragraph A124 of the proposed ISA 600 (Revised) states that the extent to which such component auditor documentation is included in the group engagement team's audit file is a matter of professional judgement. However, we believe that the development of application materials as to the level of details the audit documentation for a group audit engagement is expected in order to meet the requirements will be very helpful. This will also be a useful reference guide to manage the expectations of regulators.

In addition, providing clarification relating to the extent of evidence that is expected to be retained in the group audit documentation where a component auditor is involved in the risk assessment process would also be helpful.

NYSSCPA

Several of the foundational standards referenced contain specific documentation requirements; those requirements should be hyperlinked in the final standard, perhaps using a table.

In addition, we believe there should be some precautionary language disclosing that regulators in many countries have their own requirements about content and file retention (including electronic files) as well as countries, states and provinces having their own specific rules (including ethics rules) and laws.

The ISQMs require each firm to follow its own policies and procedures. Component auditors need to understand that the group auditor may impose its own documentation requirements on the component auditor. The final standard should state that such an understanding is always better for a positive interaction when it is done early and is explained.

SAICA

Some of the considerations that may be included in paragraph 57 of ED-600 include:

Any other documentation on how the group engagement team demonstrated their application of professional judgement and professional skepticism during the group engagement.

Documentation on how the group engagement partner has applied the 'stand-back' requirement to ensure that he or she has taken overall responsibility for the group engagement and how he or she has ensured that sufficient appropriate audit evidence has been obtained to take overall responsibility for the group audit opinion. This is crucial in large and complex group structures.

Documentation on the group engagement team's determination on its conclusion that it is appropriate to use the work of component auditors (e.g. where statutory audits have been performed by another auditor or where the component relates to an equity investment of the group but no control is exercised).

Conclusions on the expected manner and form of communication between the group engagement team and component auditors.

Discussion of significant matters with group and/or component management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place.

SAICA recommends that the IAASB should not be too prescriptive in setting the documentation requirements in ED-600 as the principles of documentation in ISA 230 apply in group audit engagements. There is a risk that auditors will focus on complying with the requirements stipulated instead of applying their professional judgement. The list provided in paragraph 57 of ED-600 should be the examples of items to consider for inclusion in the audit documentation. While we acknowledge that documentation poses serious problems for auditors globally – based on the review of regulatory inspections findings reports – the auditor enhances audit quality by applying professional judgement instead of following a ‘tick-box’ approach.

ISA 230, Audit Documentation, already contains strict documentation requirements that auditors need to adhere to. As per ISA 230.A6, in principle, compliance with the requirements of ISA 230 will result in audit documentation being sufficient and appropriate in the circumstances. It is recommended that paragraph 57 of ED-600 should rather clarify the application of ISA 230 instead of providing a comprehensive list of documentation requirements.

SAICA, therefore proposes the following wording as the introduction to paragraph 57 in ED-600:

57. “In applying ISA 230, the group engagement team shall consider for inclusion in the audit documentation:...”

SMPAG

Are there specific matters that you believe should be documented other than those described in paragraph 57 of ED-600?

We have not identified any such matters.

Do you agree with the application material in paragraphs A129 and A130 of ED-600 relating to the group engagement team’s audit documentation when access to component auditor documentation is restricted?

Some of the application material (e.g. A124) in relation to documentation suggests that the GET is required to include component auditor’s documentation, in whole or in part, in the documentation of the GET when there are access difficulties across borders. This appears to be driven by audit regulators, who wish to be able to access all of the documentation of the group audit at the premises of the GET. When there are access difficulties, it means that members of the engagement team may need to visit the premises of the component auditor, but in our view, they should be required to document only the nature, timing and extent of their review of the work of the component auditor (which may involve a high-level summary of the work performed by the component auditor) – not the details of the procedures performed. If audit regulators want to seek access to greater detail beyond the documentation of the direction, supervision and review of the GET of the component auditor’s work, then they should seek to visit the premises of the component auditor, and if necessary, liaise with local audit regulator.

SRO AAS

Information on the scope of component auditors’ documents to be stored and/or reviewed by the group engagement team should include a description of factors governing the group engagement team in deciding on whether they should keep/review these documents.

Requirements on documentation should be clearer about the scope of group audits.

Documentation requirements have become tougher when component auditors are involved (for example, the need to justify site visits or selection of documents for testing). However, given that the regulatory

authorities consistently pay attention to this issue, the logic behind toughening these requirements seems reasonable.

Q11(a) – No matters noted

1. Monitoring Group

IAIS

The IAIS supports the enhanced requirements for documentation and appreciates the IAASB's efforts to address the challenges that could arise in an audit of group financial statements (eg access restrictions to the components auditor's documentation).

2. Investors and Analysts

CRUF

We reiterate that as users of consolidated financial statements, we strongly support the direction of this ED

3. Regulators and Audit Oversight Authorities

CSA

Overall, we support the proposals

MAOB

No Comment

NASBA

NASBA believes the documentation requirements of paragraph 57 of ED-600 are appropriate.

4. National Auditing Standard Setters

CAASB

Paragraph 57 clearly identifies what is required by the GET in the group audit file and provides flexibility in how audit evidence is retained in the file.

CNCC-CSOEC

Yes, we support the enhanced requirements and application material on documentation and have no specific comment to report.

ICAI

No Comment

NZAuASB

The NZAuASB supports the enhanced requirements and application material on documentation.

5. Accounting Firms

BT

No.

CR

At this time, we do not note any specific matters that we believe should be documented other than those described in paragraph 57.

ETY

No

MNP

We believe that paragraph 57 sufficiently describes the specific matters that should be documented. We support the enhanced requirements and application material on documentation, including the linkage to the requirements of ISA 230.

PKF

We have not identified any other specific matters for inclusion in paragraph 57 of ED-600.

6. Public Sector Organizations

AGC

There are no specific matters that we believe should be documented other than those described in paragraph 57. We note and support paragraph A124 which provides that the component document may reside in the component auditor's audit file and need not be replicated in the group engagement team's audit file.

AGO

No.

AGSA

The matters described in paragraph 57 of ED-600 are sufficient.

GAO

We support the enhanced requirements and application materials on documentation. We did not identify any additional matters that should be documented outside of those described in paragraph 57.

PAS

(a) No, there are no other specific matters that should be documented in paragraph 57.

7. Member Bodies and Other Professional Organizations

AE

No, there are no other matters that should be documented in group audit engagements.

BICA

The documentation requirements of paragraph 57 of ED-600 are appropriate.

CAANZ-ACCA

We don't have any other matters.

CaICPA

No

CAQ

No Comment

CPAI

Yes, we support the enhanced requirements and application material.

ECA

No

EFAA

We believe the matters described are accurate and complete.

FAR

In general, FAR supports the response submitted by the Nordic Federation of Public Accountants and FAR therefore refers to this response.

ICAEW

No comment

ICAS

(a) We do not believe that there are other specific matters that should be documented.

IIA

No. It is a good list.

IMCP

No, the standard covers all the audit process according to ISA 230

INCP

We believe that those described in paragraph 57 are full and sufficient.

NRF

We have not identified any such matters.

TFAC

No, we do not have any other issues.

WPK

No comment.

8. Academics

AFAANZ

No comment

GRAHAM

No Comment

HUNTER

We believe the matters documented in paragraph 57 of ED-600 are clear and concise as it relates to the documentation requirements for review of the component auditor work by the group audit.

LI

No Comment

9. Individuals and Others

PITT

No Comment

VERA

No, there are not.