

### Proposed ISA 600 (Revised)<sup>1</sup> – Issues Paper and Due Process Considerations

#### Objectives of the IAASB Discussion

The objective of this Agenda Item is to approve proposed ISA 600 (Revised), as presented in **Agenda Item 2-B**, and the conforming and consequential amendments resulting from proposed ISA 600 (Revised), as presented in **Agenda Item 2-D**.

#### Materials Presented

<b>Agenda Item 2</b>	Issues paper and due process considerations
<b>Agenda Item 2-A</b>	Explanation of significant changes
<b>Agenda Item 2-B</b>	Proposed ISA 600 (Revised) – Marked
<b>Agenda Item 2-C</b>	Proposed ISA 600 (Revised) – Clean
<b>Agenda Item 2-D</b>	Conforming and consequential amendments arising from proposed ISA 600 (Revised)
<b>Agenda Item 2-E</b>	Comparison of requirements in the <a href="#">Exposure Draft of ISA 600 (Revised)</a> (ED-600) to the proposed requirements in <b>Agenda Item 2-B</b>

#### Introduction

1. Since the September 2021 IAASB meeting, the ISA 600 Task Force (the Task Force) continued to enhance proposed ISA 600 (Revised) based on the comments received from the Board and comments received during outreach events. The Task Force's activities since the September 2021 IAASB meeting are included in **Appendix 1** to this agenda item. **Appendix 4** to this agenda item includes the draft minutes of the September 2021 IAASB meeting related to proposed ISA 600 (Revised).
2. This agenda item includes the following sections:
  - Draft of proposed ISA 600 (Revised) (Section I);
  - Conforming and consequential amendments (Section II);
  - Due process considerations, including a consideration of the need for re-exposure (Section III); and
  - Next steps.
3. **Agenda Item 2-A** provides background information on, and an explanation of, significant changes made by the Task Force following the September 2021 IAASB meeting to the requirements and application material of proposed ISA 600 (Revised) and the conforming and consequential amendments arising from proposed ISA 600 (Revised). The Task Force made

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

changes in response to Board comments during the September 2021 plenary session, and comments received offline or because of outreach or liaison with others, including the International Ethics Standards Board for Accountants' (IESBA) Engagement Team – Group Audits Independence Task Force (IESBA Task Force).

### Approach for the Discussion of the Agenda Items

4. On Monday, December 6, the Task Force Chair will walk through **Agenda Item 2-B** and refer to the matters highlighted in **Agenda Item 2-A**, as appropriate. **Appendix 3** to this agenda item sets out the planned approach for the discussion, with references to the paragraphs in **Agenda Item 2-B**. After walking through **Agenda Item 2-B**, the Chair will ask the Board to provide input on the conforming and consequential amendments arising from proposed ISA 600 (Revised) as set out in **Agenda Item 2-D**.
5. After the discussion with the Board on December 6, the Task Force will update targeted sections of proposed ISA 600 (Revised) for further discussion with the Board on Thursday, December 9 (the targeted sections are expected to be available by 5 pm EST on December 8). The sections to be updated will depend on the nature and extent of the Board's comments.
6. By noon EST on Friday, December 10, the Task Force will present an updated version of proposed ISA 600 (Revised). This version of the standard will be used for the consultations with Board members on Sunday, December 12. A consultation schedule will be provided to the Board in due course.
7. On Monday, December 13, the Task Force will distribute an updated draft of the proposed standard reflecting changes to address comments received during the consultations. This draft is expected to be available by 3 pm EST on December 13 and will be used for the approval of proposed ISA 600 (Revised) on Tuesday, December 14.

### 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 IESBA Task Force, the Task Force Chair and Staff met twice with the IESBA Task Force Chair and Staff.
9. In these meetings, the IESBA Task Force's Chair provided input on the draft of proposed ISA 600 (Revised) and the Task Force's Chair provided input on the strawman of Proposed 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-B**) 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. Since the September 2021 IAASB meeting, the Task Force did not have further liaison with other IAASB task forces and working groups. However, the Task Force has continued to consider previous input from other IAASB task forces and working groups (e.g., the Complexity, Understandability, Scalability and Proportionality Working Group's draft *Drafting Principles and Guidelines*).

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

## Outreach

11. The Task Force Chair and Staff had outreach discussions with several key stakeholders in advance of the December 2021 IAASB meeting. **Appendix 1** to this agenda item includes an overview of this outreach. These stakeholders were broadly supportive of the changes made to proposed ISA 600 (Revised) and did not raise any fatal flaws. The Task Force Chair will provide the Board with additional details on these outreach discussions during the December 2021 IAASB meeting.

## Public Interest Issues

12. Throughout the development of proposed ISA 600 (Revised), the Task Force has had the public interest in mind. The table included in **Appendix 2** to this agenda item 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 subsequently refined for the project to revise ISA 600<sup>3</sup> as included in the [Explanatory Memorandum](#) (EM) to ED-600. **Appendix 2** to this agenda item 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)

13. **Agenda Item 2-B** reflects changes to proposed ISA 600 (Revised) from the versions presented to the Board in September 2021. Significant changes made by the Task Force are explained in **Agenda Item 2-A**. **Appendix 3** to this agenda item sets out the planned approach for the discussion.

### 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-B**.

## Section II – Conforming and Consequential Amendments

14. **Agenda Item 2-D** 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 presented to the Board in September 2021 are explained in **Agenda Item 2-A**.

### Matter for IAASB Consideration

2. The IAASB is asked for its views on the conforming and consequential amendments, as presented in **Agenda Item 2-D**.

## Section III – Due Process Considerations

### Significant Matters Identified by the Task Force

15. In the Task Force’s view, the significant matters it has identified as a result of its deliberations since the beginning of this project, and its conclusions and recommendations thereon, have been reflected in the agenda materials presented to the IAASB at its meetings. In the Task Force’s view, there are no significant matters discussed in the course of this project that have not been brought to the IAASB’s attention.

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

## Consideration of the Need for Re-Exposure

### Overview

16. If the Board votes to approve proposed ISA 600 (Revised), then a separate affirmative vote of the Board is required on whether the standard needs to be re-exposed. Based on the draft as presented in **Agenda Item 2-B**, and prior to any changes proposed at the December 2021 IAASB meeting, the Task Force is of the view that proposed ISA 600 (Revised) does not warrant re-exposure.
17. This section sets out the Task Force’s analysis of the provisions of the due process related to whether an approved standard needs to be re-exposed.

### What Does the Due Process Require?

18. **Appendix 5** to this agenda item includes relevant extracts from the IAASB’s due process. The main consideration in the due process is “whether there has been substantial change to the exposed document such that re-exposure is necessary.” The related working procedures, which support the due process, include three examples of situations that may constitute potential grounds for a decision to re-expose:
  - (a) Substantial change to a proposal arising from matters not aired in the exposure draft (ED) such that commentators have not had an opportunity to make their views known to the IAASB before it reaches a final conclusion;
  - (b) Substantial change arising from matters not previously deliberated by the IAASB; or
  - (c) Substantial change to the substance of a proposed international pronouncement.
19. The Task Force notes that there will almost always be changes to standards between an ED and the final standard to appropriately respond to comments received on exposure—this is true for proposed ISA 600 (Revised). In forming its view on re-exposure, the Task Force has considered the potential grounds for re-exposure set out above and focused on these in determining its views for the purpose of this paper.

### Considerations Relevant to the Development of the Task Force’s View on Re-Exposure

#### Key Elements Addressed in ED-600

20. The EM to ED-600 highlighted the key public interest matters and related significant elements addressed in developing the proposed revisions in ED-600, including:
  - (a) Keeping the IAASB’s standard on group audits fit for purpose. This included:
    - Clarifying the scope of the standard;
    - Clarifying the linkages with other standards;
    - Enhancing the documentation section; and
    - Introducing a principles-based approach that is adaptable to a wide variety of circumstances, and scalable for audits of groups of different complexity.
  - (b) Encouraging proactive management of quality at the engagement level. This included:
    - Clarifying how the requirements in ISA 220 (Revised)<sup>4</sup> apply to manage and achieve audit quality in a group audit;

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

- Focusing the group auditor’s attention on identifying, assessing and responding to the risks of material misstatement of the group financial statements;
  - Clarifying how to address restrictions on access to people and information in a group audit; and
  - Clarifying how the concepts of materiality and aggregation risk apply in a group audit.
- (c) Fostering an appropriately independent and challenging skeptical mindset of the auditor
- (d) Reinforcing the need for robust communication and interactions during the audit

Responses to ED-600 and Consideration of Nature and Extent of Changes since ED-600

21. In general, there was strong support across all stakeholder groups and across all jurisdictions for the revisions to ISA 600. In particular, there was strong support for the:
- (a) Enhanced linkages with other standards;
  - (b) Overall structure of the standard and in particular for the separate sections with requirements for component auditors;
  - (c) Focus on professional skepticism;
  - (d) Scalability built into the standard;
  - (e) Focus on common controls and centralized activities; and
  - (f) Definition of, and guidance on, aggregation risk and component performance materiality.
22. While the overall tone of the comment letters was positive, there were some areas of concern. The changes made in response to those concerns are outlined below, and **Agenda Item 2-E** compares, in a tabular form, the requirements in ED-600 with those in the final draft of proposed IS 600 (Revised), as presented in **Agenda Item 2-B**.

Significant Matters Raised by Respondents to ED-600	IAASB/Task Force Response
<p><b>Risk-Based Approach</b></p> <p>Respondents noted that ED-600:</p> <ul style="list-style-type: none"> <li>• Downplayed the important role that component auditors play in a group audit; and</li> <li>• Did not have a clear framework on how to apply the risk-based approach.</li> </ul> <p>Given the importance of ongoing communications between the group auditor and the component auditor, several suggestions were also received on how to enhance the communications between the group auditor and the component</p>	<p><i>Involvement of Component Auditors</i></p> <ul style="list-style-type: none"> <li>• Enhanced the Introduction section to highlight the importance of involving component auditors.</li> <li>• Retained the focus on the overall responsibility of the group auditor and the group engagement partner, as applicable, but enhanced the drafting and used more neutral language throughout proposed ISA 600 (Revised) regarding the respective responsibilities of the group auditor and component auditors.</li> <li>• Added a new requirement (and related application material) for the group auditor to determine the resources needed to perform the group audit engagement, including the nature, timing and extent to which component auditors are to be involved.</li> <li>• Incorporated the considerations relating to the</li> </ul>

Significant Matters Raised by Respondents to ED-600	IAASB/Task Force Response
auditor.	<p>involvement of component auditors in Appendix 1 of ED-600 into the application material.</p> <p><i>Framework to Apply the Risk-Based Approach</i></p> <ul style="list-style-type: none"> <li>• Added a new requirement for the group auditor to establish, and update as necessary, an overall group audit strategy and group audit plan. In doing so, the group auditor is required to determine the components at which to perform audit work and the resources needed to perform the group audit, including the involvement of component auditors.</li> <li>• Added application material in support of the group auditor’s determination of the components at which to perform audit work, and the nature, timing and extent of the audit work to be performed at the components, including by component auditors.</li> <li>• Added guidance throughout the standard regarding the iterative nature of a group audit.</li> <li>• Enhanced linkages to ISA 315 (Revised 2019).<sup>5</sup></li> </ul> <p><i>Communications</i></p> <ul style="list-style-type: none"> <li>• Included the principles of two-way communication earlier in standard.</li> <li>• Revised the requirement regarding the group auditor’s communication with component auditors about their respective responsibilities and the group auditor’s expectations to include the expectation that communications between the group auditor and component auditors take place at appropriate times throughout the group audit.</li> <li>• Further reinforced communication throughout the group audit by enhancing requirements and application material for two-way communication between the group auditor and the component auditor.</li> <li>• Clarified that form and content of component auditor deliverables depends on nature and extent of work performed.</li> </ul>

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

<p><b>Significant Matters Raised by Respondents to ED-600</b></p>	<p><b>IAASB/Task Force Response</b></p>
<p><b>Documentation</b></p> <p>Respondents suggested additional matters to be included in the documentation requirement and asked for clarity on the component auditor documentation to be included in the group auditor’s file.</p>	<ul style="list-style-type: none"> <li>• Strengthened documentation requirements related to: <ul style="list-style-type: none"> <li>○ The evaluation of the competence and capabilities of component auditors</li> <li>○ Key elements of understanding of the group’s system of internal control.</li> </ul> </li> <li>• Enhanced the requirement and related guidance for the group auditor to determine whether, and the extent to which, it is necessary to review additional component auditor documentation.</li> <li>• Expanded the guidance and factors to consider regarding the documentation of the nature, timing and extent of the group auditor’s direction and supervision of component auditors and the review of their work.</li> <li>• Enhanced the linkage to ISA 230, including the reference to an “experienced auditor” and specific documentation requirements in other ISAs.</li> <li>• Provided additional guidance about what the audit documentation for the group audit comprises.</li> </ul>
<p><b>Scope and Applicability of the Standard</b></p> <p>Respondents asked to further clarify the scope of the standard through clarifying the definitions of group financial statements and consolidation process.</p>	<ul style="list-style-type: none"> <li>• Clarified the scope and applicability (“entry point”) through the definition of group financial statements.</li> <li>• Integrated the description of the consolidation process into the definition of group financial statements.</li> <li>• Enhanced the Introduction section to highlight the scalability of the proposed standard.</li> </ul>
<p><b>Restrictions on Access to People and Information</b></p> <p>Respondents asked for further guidance on how to address situations when access to people and information is restricted, particularly when the restrictions relate to a non-controlled interest.</p>	<ul style="list-style-type: none"> <li>• Separated restrictions on access to audit documentation from access to people or information.</li> <li>• Separated situations when the group auditor can overcome restrictions from situations when it is not possible to do so.</li> <li>• Clarified what is needed to overcome restrictions (matter of professional judgment in light of the risk of material misstatement).</li> </ul>

<p><b>Using Audit Evidence from an Audit Performed for Another Purpose</b></p> <p>Respondents noted that paragraph 42 of ED-600 was too limiting as it implied that audit evidence from an audit performed on the financial statements of a component for another purpose could only be used if the audit had been completed and the auditor’s report issued.</p>	<ul style="list-style-type: none"> <li>• Provided application material that the group auditor may be able to use the audit work of a component auditor that is performing, or has performed, an audit for another purpose if the group auditor is satisfied that such work is appropriate for purposes of the group audit.</li> <li>• Clarified that, in these circumstances, the requirements of proposed ISA 600 (Revised) apply, including those relating to the direction and supervision of component auditors and the review of their work.</li> </ul>
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*Task Force Views on Whether the Changes Necessitate Re-Exposure*

23. The Task Force considered the major changes in the relevant requirements from the ED (as shown in the tabular comparison in **Agenda Item 2-E**) and noted that:
- (a) There are no substantial changes to the key concepts of the project. All the key elements presented in ED-600 have been retained. Some of these elements have been modified and clarified in response to comments received on exposure and related coordination activities, as needed, with IESBA<sup>6</sup> and other IAASB task forces or working groups. These changes have not altered the key elements of the proposed ISA, nor have they resulted in a departure from the project objectives.
  - (b) No new key concepts have been introduced.
  - (c) The changes to the text post-exposure are in response to feedback from respondents to the ED and to address alignment with the Quality Management standards,<sup>7</sup> and do not fundamentally or substantively change the proposals in the ED.
24. Further, the Task Force is of the view that re-exposing proposed ISA 600 (Revised) will not result in new information or concerns that have not been aired already through the comment letters on ED-600 or the subsequent outreach and consultation activities as presented in **Appendix 6** to this agenda item.
25. On the basis of the above, the Task Force considers that re-exposure is not necessary. All of the members of the Task Force are in agreement with this conclusion.

**Next Steps**

26. The Task Force will consider the need for specific implementation support materials related to ISA 600 (Revised) and develop an implementation plan, which will leverage the experience obtained from recently issued IAASB standards.

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<sup>6</sup> IESBA’s [Engagement Team – Group Audits Independence](#) project

<sup>7</sup> The Quality Management standards are International Standard on Quality Management (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 (Revised)

## 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 September 2021 IAASB meeting, the Task Force held six videoconference meetings.

#### Outreach

4. The Task Force Chair, Task Force members or Staff attended the following outreach events in which proposed ISA 600 (Revised) was prominently discussed:
  - International Organization of Securities Commissions' Committee 1, Auditing Subcommittee;
  - International Forum of Independent Audit Regulators' Standards Coordination Working Group;
  - Basel Committee on Banking Supervision Accounting and Audit Experts Group;
  - International Federation of Accountants' Small and Medium Practices Committee;
  - International Organization of Supreme Audit Institutions' Financial Audit and Accounting Subcommittee; and
  - Public Interest Oversight Board staff.
5. After posting the papers for the December 2021 IAASB meeting and prior to the December 2021 IAASB meeting, the Task Force Chair and Staff will also meet with the International Association of Insurance Supervisors' Accounting and Auditing Working Group.

## 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)
<p><b>Keeping the IAASB’s standard on group audits fit for purpose</b></p>	<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>	<p>Paragraphs 1, 2, 3, 14(b), 14(f) and 14(k).</p>
	<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>8</sup> ISA 300,<sup>9</sup> ISA 315 (Revised 2019) and ISA 330.<sup>10</sup></p>	<p>Paragraphs 1, 6, 9, 16, 19, 21, 22, 25, 26, 28, 30, 31, 33, 34, 35, 37, 42, 49, 51, 57, 58 and 59.</p>
	<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 10, 14(b), 30, 33 and 37.</p> <p>Separate sections for circumstances when component auditors are involved.</p>

<sup>8</sup> ISA 230, *Audit Documentation*

<sup>9</sup> ISA 300, *Planning an Audit of Financial Statements*

<sup>10</sup> ISA 330, *The Auditor’s Responses to Assessed Risks*

<b>Key Public Interest Matter</b>	<b>Description of Changes Made to Address Identified Key Public Interest Matters</b>	<b>Relevant Paragraphs in Proposed ISA-600 (Revised)</b>
	<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 audit documentation.</p>	<p>Paragraphs 47 and 59.</p>
<p><b>Encouraging proactive management of quality at the engagement level</b></p>	<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>	<p>Paragraphs 6, 11, 16, 25, 26, 27 and 28.</p>
	<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>	<p>Paragraphs 5, 6, 7, 22, 30, 33, 37, 38, 39, 40, 52, and 53.</p>
	<p><i>Restrictions on Access to People and Information</i></p> <p>Clarified how to address restrictions on access to people and information, and audit documentation, 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>11</sup></p>	<p>Paragraphs 20, 21 and 59.</p>

<sup>11</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.

<b>Key Public Interest Matter</b>	<b>Description of Changes Made to Address Identified Key Public Interest Matters</b>	<b>Relevant Paragraphs in Proposed ISA-600 (Revised)</b>
	<p><i>Component Materiality</i></p> <p>Clarified how the concepts of materiality and aggregation risk apply in a group audit.</p>	<p>Paragraphs 14(a), 14(e) and 35.</p> <p>Consequential amendments to ISA 320<sup>12</sup></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 9, 17, 28, 29, 49, 52 and 53.</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 23, 24, 25, 26, 27, 28, 29, 31, 32, 36, 41, 42, 43, 44, 45, 46, 47, 48 and 50.</p>

<sup>12</sup> ISA 320, *Materiality in Planning and Performing an Audit*

## Appendix 3

### Approach for the Discussion of the Agenda Items

Section in Agenda Item 2-B	Paragraphs in Agenda Item 2-B
Introduction Objectives Definitions	1–15
Leadership Responsibilities for Managing and Achieving Quality on a Group Audit Acceptance and Continuance Overall Group Audit Strategy and Group Audit Plan	16–29
Understanding the Group and Its Environment, the Applicable Financial Reporting Framework and the Group’s System of Internal Control Identifying and Assessing the Risks of Material Misstatement Materiality Responding to the Assessed Risks of Material Misstatement	30–44
Evaluating the Component Auditor’s Communications and the Adequacy of Their Work Subsequent Events Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained Auditor’s Report Communication with Group Management and Those Charged with Governance of the Group Documentation	45–59
Scope of this ISA Definitions	A1–A26
Leadership Responsibilities for Managing and Achieving Quality on a Group Audit Acceptance and Continuance	A27–A43
Overall Group Audit Strategy and Group Audit Plan	A44–A84
Understanding the Group and Its Environment, the Applicable Financial Reporting Framework and the Group’s System of Internal Control	A85–A105

<b>Section in Agenda Item 2-B</b>	<b>Paragraphs in Agenda Item 2-B</b>
Identifying and Assessing the Risks of Material Misstatement Materiality	A106–A121
Responding to the Assessed Risks of Material Misstatement	A122–A141
Evaluating the Component Auditor’s Communications and the Adequacy of Their Work Subsequent Events Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained Auditor’s Report Communication with Group Management and Those Charged with Governance of the Group Documentation	A142–A179
Appendices	Appendix 1–3

## Draft Minutes of the September 2021 IAASB Meeting

### Group Audits – Proposed ISA 600 (Revised)<sup>13</sup>

Mr. Jui updated the Board on the work of the ISA 600 Task Force since the June 2021 IAASB meeting as presented in **Agenda Item 2, Agenda Item 2-A, Agenda Item 2-B, Agenda Item 2-C, Agenda Item 2-D** and **Agenda Item 2-E**. The following sets out the more significant comments from the Board.

#### INTRODUCTION AND DEFINITIONS

The Board broadly supported the ISA 600 Task Force's proposals as presented in **Agenda Item 2-C** but had several suggestions on how to enhance the introduction and the definitions. The Board asked the ISA 600 Task Force to consider:

- Clarifying the auditor's responsibilities when an audit has been performed on a component for statutory, regulatory or other reasons. It was noted that paragraph A8AA should address both in-process and completed audits of financial statements of a component for statutory, regulatory or other reasons. Paragraph A8AA also should clarify that the group auditor may be able to use audit work performed for the audit of the component financial statements, provided that such work is appropriate for purposes of the group audit.
- Clarifying the definition of component auditor. It was noted that it may be unclear whether an auditor who performs work for a statutory audit or an audit of an equity investment is a component auditor when the group auditor uses the financial statements of that component for purposes of the group audit.
- Deleting certain application material paragraphs in the Introduction.
- With respect to the application material regarding professional skepticism, clarifying that the group auditor should always remain alert for inconsistent information from component auditors and not only when there are a large number of components across multiple jurisdictions.

#### LEADERSHIP RESPONSIBILITIES FOR MANAGING AND ACHIEVING QUALITY ON A GROUP AUDIT, AND ACCEPTANCE AND CONTINUANCE

The Board broadly supported the ISA 600 Task Force's changes as included in **Agenda Item 2-C** but had several suggestions on how to enhance the sections on the leadership responsibilities for managing and achieving quality on a group audit, and acceptance and continuance. The Board asked the ISA 600 Task Force to consider:

- Clarifying how the group auditor may be able to overcome restrictions on access to information or people when the group has a non-controlling interest in an entity that is accounted for by the equity method. The Board noted that it is unclear how audit evidence can be obtained from an entity that is accounted for by the equity method. The Board also provided several suggestions on how to enhance the drafting and suggested developing implementation guidance on this matter.
- Enhancing the linkage between the section on restrictions on access to information and people and the application material in the documentation section that explains how the group auditor may be able to overcome restrictions on access to component auditor audit documentation.

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<sup>13</sup> Proposed International Standards on Auditing (ISA) 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

## OVERALL GROUP AUDIT STRATEGY AND GROUP AUDIT PLAN

The Board broadly supported the ISA 600 Task Force's changes as included in **Agenda Item 2-C** but had several suggestions on how to enhance the section on the overall group audit strategy and group audit plan. The Board asked the ISA 600 Task Force to consider:

- Deleting or clarifying paragraph 18. Paragraph 18 requires the group engagement partner to evaluate whether the group auditor will be able to be sufficiently and appropriately involved in the work of the component auditor. It was noted that it is unclear what the group auditor should do in addition to what is required by paragraph 12.
- With respect to paragraph 21(b), explaining that in addition to information about the results of the monitoring and remediation process or external inspections, the group engagement partner may also obtain information from other sources (e.g., transparency reports or news reports).
- For paragraph 22(a), reverting back to the wording presented to the Board in June 2021 as the wording presented in **Agenda Item 2-C** implies a more strenuous requirement than what is required by ISA 220 (Revised).
- Whether paragraph 23 is inconsistent with the requirement in paragraph 45 for the group auditor to determine whether, and the extent to which, to review additional component auditor audit documentation.
- Clarifying who should address paragraph 23B. It was noted that the requirement is written as a statement of fact.
- Enhancing paragraph A44A related to using the work of auditor's experts. It was noted that the wording presented suggests that the group engagement partner is responsible for the evaluation of the competence and capabilities of an auditor's expert engaged by a component auditor in accordance with ISA 620<sup>14</sup>, paragraph 9, rather than the component auditor. It was noted that the component auditor's evaluation may be subject to review of the group auditor depending on the nature and extent of involvement of the auditor's expert, and the assessed risks of material misstatement.
- Including a link to paragraph 31 of ISA 220 (Revised).

## UNDERSTANDING THE GROUP AND ITS ENVIRONMENT, THE APPLICABLE FINANCIAL REPORTING FRAMEWORK AND THE GROUP'S SYSTEM OF INTERNAL CONTROL

The Board broadly supported the ISA 600 Task Force's changes as included in **Agenda Item 2-C** but had several suggestions on how to enhance the section on the understanding of the group. The Board asked the ISA 600 Task Force to consider:

- Adding back the references to 'on a timely basis' in paragraphs 26 and 26A.
- Enhancing paragraph 26(a) by:
  - Clarifying that the requirement is conditional on the involvement of component auditors. It was noted that component auditors are not always required to perform risk assessment procedures for purposes of the group audit.
  - Clarifying that the matters that are relevant to the component auditor's design and performance of risk assessment procedures for purposes of the group audit, are based on the group auditor's judgment as many matters may be relevant to the component auditor.

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<sup>14</sup> ISA 620, *Using the Work of an Auditor's Expert*

- When the group auditor is required to “take responsibility” for certain risk assessment procedures, clarifying in the application material that the component auditor may also be involved

#### RESPONDING TO THE ASSESSED RISKS OF MATERIAL MISSTATEMENT

The Board broadly supported the ISA 600 Task Force’s changes as included in **Agenda Item 2-C** but had several suggestions on how to enhance the section on responding to the assessed risks of material misstatement. The Board asked the ISA 600 Task Force to consider:

- Adding “if applicable” to the latter part of paragraph 34(b) as there may not be indicators of possible management bias in the consolidation process.
- Enhancing paragraph A95A related to using the work of auditor’s experts. It was noted that the wording presented suggests that the group engagement partner is responsible for the evaluation of the adequacy of an auditor’s expert engaged by a component auditor in accordance with ISA 620, paragraph 12, rather than the component auditor. It was noted that the component auditor’s evaluation may be subject to review of the group auditor depending on the nature and extent of involvement of the auditor’s expert, and the assessed risks of material misstatement.

#### COMMUNICATION ABOUT MATTERS RELEVANT TO THE GROUP AUDITOR’S CONCLUSION

The Board broadly supported the ISA 600 Task Force’s changes as included in **Agenda Item 2-C** but had several suggestions on how to enhance paragraph 45A and the related application material. Generally, the Board agreed with ISA 600 Task Force’s intent with paragraph 45A, and the linkage to the requirements in ISA 220 (Revised), but that additional clarity in the wording would be helpful. It was suggested to clarify the incremental nature of the requirement and to link paragraph 45A to the evaluation of communications with component auditors as required by paragraph 45(b).

The Board had mixed views on the inclusion of the word “whether” in paragraph 45A. A view was expressed that ‘whether’ should be deleted as it may cause the group auditor not to review any component auditor documentation. Others disagreed, noting that other requirements in proposed ISA 600 (Revised) and ISA 220 (Revised) drive the nature, timing and extent of the group auditor’s direction and supervision of component auditors and the review of their work. The Board noted that the application material, in particular paragraphs A112B and A113, provide appropriate guidance for the group auditor in making the determination required by paragraph 45A. It was also noted that deleting the word ‘whether’ may cause translation issues.

#### DOCUMENTATION

The Board broadly supported the ISA 600 Task Force’s changes as included in **Agenda Item 2-C** but had several suggestions on how to enhance the documentation section. The Board asked the ISA 600 Task Force to consider:

- Deleting the first sentence of paragraph A127A as the main point of the paragraph is to emphasize that, depending on the facts and circumstances, the group auditor may decide to summarize, replicate or retain copies of certain component auditor documentation in the group auditor’s audit file to supplement the description of a particular matter in communications from the component auditor. It was also noted that the first sentence of paragraph A127A seemed to contradict the second sentence.
- In paragraph A130, clarifying that the actions that the group auditor may use to overcome restrictions on access to component auditor audit documentation are a matter of professional judgment.

#### EFFECTIVE DATE

The Board agreed with the ISA 600 Task Force's proposals, as set out in **Agenda Item 2**, that proposed ISA 600 (Revised) should be effective for audits of group financial statements for periods beginning on or after December 15, 2023. The Board also agreed that early adoption should be permitted and encouraged.

#### CONFORMING AND CONSEQUENTIAL AMENDMENTS

The Board supported the conforming and consequential amendments arising from proposed ISA 600 (Revised) as included in **Agenda Item 2-D**.

#### SUMMARY OF RESPONDENTS' COMMENTS

Having received and discussed respondents' feedback to all questions in the EM to ED-600, the Board did not note any issues raised by respondents, in addition to those summarized by the Task Force, that should be considered in finalizing proposed ISA 600 (Revised).

#### TURNAROUND

During the September 2021 meeting the ISA 600 Task Force presented in **Agenda Item 2-F** updated sections related to:

- Audits of financial statements of a component for statutory, regulatory or other reasons;
- Restrictions on access to information and people in an entity that is accounted for by the equity method; and
- The group auditor's review of additional component auditor documentation.

The Board broadly supported the ISA 600 Task Force's changes as included in **Agenda Item 2-F** but asked the ISA 600 Task Force to consider:

- Changing the lead-in wording to paragraph 45A as the determination in paragraph 45A is not solely based on the evaluation in paragraph 45(a).
- Aligning paragraph A52x more closely to paragraph 31 of ISA 220 (Revised).

#### CAG OBSERVER REMARKS

Mr. Dalkin noted that the IAASB CAG supported the changes made to proposed ISA 600 (Revised), in particular in relation the involvement of component auditors, the risk-based approach and the communications between the group auditor and the component auditor. He also thanked the ISA 600 Task Force for being responsive to the IAASB CAG's comments.

#### PIOB OBSERVER REMARKS

Ms. Stothers complimented the ISA 600 Task Force on its progress and thanked the ISA 600 Task Force for the significant outreach undertaken. In that regard, she highlighted the importance of liaising with Monitoring Group members before the December 2021 meeting. Furthermore, Ms. Stothers noted that the discussions on paragraph 45A have been very thorough and that it is in the public interest to allow early adoption of proposed ISA 600 (Revised).

#### WAY FORWARD

Based on the Board's comments, the ISA 600 Task Force will update the draft of proposed ISA 600 (Revised) and will present a final draft of the proposed standard for approval at the December 2021 IAASB meeting.

## Appendix 5

### Relevant Extracts from the IAASB's Due Process

The matter of re-exposure is addressed in the IAASB's [Due Process and Working Procedures](#), paragraphs 23 and A40-A42.

23. After approving the final revised content of an exposed international pronouncement, the PIAC<sup>15</sup> votes on whether there has been substantial change to the exposed document such that re-exposure is necessary. An affirmative vote in accordance with the PIAC's terms of reference that re-exposure is necessary is required to issue a re-exposure draft. The basis of the PIAC's decisions with respect to re-exposure is recorded in the minutes of the PIAC meeting at which the related project is discussed. (Ref: Para. A40-A42)

...

Re-Exposure (Ref: Para. 23)

- A40. When an exposure draft has been subject to many changes, a summary comparative analysis is presented to the PIAC. This analysis shows, to the extent practicable, the differences between the exposure draft and the proposed final international pronouncement.
- A41. The senior staff member of the PIAC, in consultation with the Chair of the PIAC and chair of the Project Task Force, advises the PIAC on whether a draft international pronouncement, or part thereof, needs to be re-exposed.
- A42. Situations that constitute potential grounds for a decision to re-expose may include, for example: substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the PIAC before it reaches a final conclusion; substantial change arising from matters not previously deliberated by the PIAC; or substantial change to the substance of a proposed international pronouncement.

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<sup>15</sup> Public Interest Activity Committee, i.e., the IAASB.

## Appendix 6

### Outreach and Consultation Activities After Closure of Comment Period on ED-600

In addition to regular updates to the IAASB's Consultative Advisory Group (March 2021 and September 2021) and general outreach activities, the following outreach was undertaken specifically on proposed ISA 600 (Revised), after the closure of the comment period on ED-600 (i.e., since October 2, 2020):

#### Q2 of 2021

- International Organization of Securities Commissions' Committee 1, Auditing Subcommittee;
- International Forum of Independent Audit Regulators' Standards Coordination Working Group;
- International Federation of Accountants' Small and Medium Practices Committee;
- Public Interest Oversight Board;

#### Q3 of 2021

- Chinese Institute of Certified Public Accountants;
- Hong Kong Institute of Certified Public Accountants;
- CPA Australia;

#### Q4 of 2021<sup>16</sup>

- International Organization of Securities Commissions' Committee 1, Auditing Subcommittee;
- International Forum of Independent Audit Regulators' Standards Coordination Working Group;
- Basel Committee on Banking Supervision Accounting and Audit Experts Group;
- International Federation of Accountants' Small and Medium Practices Committee;
- International Organization of Supreme Audit Institutions' Financial Audit and Accounting Subcommittee; and
- Public Interest Oversight Board staff.

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<sup>16</sup> After posting the papers for the December 2021 IAASB meeting and prior to the December 2021 IAASB meeting, the Task Force Chair and Staff will also meet with the International Association of Insurance Supervisors' Accounting and Auditing Working Group.