

064-20

Bogotá, D.C., September 29, 2020

Members of the Board  
International Auditing and Assurance Standards Board (IAASB)  
529 5<sup>th</sup> Avenue, 6<sup>th</sup> Floor  
New York, New York 10017

***Ref.: Comments on Proposed International Standard on Auditing 600 (Revised): Special Considerations -- Audits of Group Financial Statements (Including the Work of Component Auditors)***

**Dear Members of the Board:**

Warm greetings to you from the INCP (National Institute of Public Accountants) of Colombia. In response to the issued request for feedback relating to ISA 600 (Revised), below are our comments:

**1. With respect to the linkages to other standards:**

**(a) Does ED-600 have appropriate linkages to other ISAs and with the proposed ISQMs?**

**Answer:** Yes, in fact, in the framework, it emphasizes the consistent application of all ISAs.

**(b) Does ED-600 sufficiently address the special considerations in a group audit with respect to applying the requirements and application material in other relevant ISAs, including proposed ISA 220 (Revised)?**

**Answer:** Overall, it does sufficiently address the special considerations in a group audit in line with the requirements of all the relevant ISAs; we suggest that, as a support material for the auditor, more examples are provided on the linkage of ISA 402, Audit Considerations Relating to

an Entity Using a Service Organization, with a Group Audit.

**2. With respect to the structure of the standard, do you support the placement of sub-sections throughout ED-600 that highlight the requirements when component auditors are involved?**

**Answer:** Yes; it allows for a clearer understanding on when the component auditor must act in a group audit and the support the auditor of the group's financial statements must be provided with in order to determining critical matters that may have an impact on the group audit.

**3. Do the requirements and application material of ED-600 appropriately reinforce the exercise of professional skepticism in relation to an audit of group financial statements?**

**Answer:** Yes, ED-600 emphasizes the permanent interaction between the group's audit team and the component auditor and a two-way communication; on the component auditor's job review by the partner in charge of the group and each team member's responsibility to exercise professional skepticism while performing the engagement; the communication and discussion of relevant matters on the group audit by the component auditor with the component and/or the group management.

**4. Is the scope and applicability of ED-600 clear? In that regard, do you support the definition of group financial statements, including the linkage to a consolidation process? If you do not support the proposed scope and applicability of ED-600, what alternative(s) would you suggest (please describe why you believe such alternative(s) would be more appropriate and practicable).**

**Answer:** Yes, the scope of the standard is clear on the definition of audits of group financial statements, including those circumstances where component auditors are involved. The group's financial statements include financial information from one or more business units or entities, which is prepared on a consolidated basis, and the standard provides a broad description of what may be considered as a business unit or entity and clearly points to those cases in which a consolidation process should not be considered (branch offices or divisions) and, therefore, ISA 600 would not be applicable.

**5. Do you believe the proposed standard is scalable to groups of different sizes and complexities, recognizing that group financial statements, as defined in ED-600, include the financial information of more than one entity or business unit? If not, what suggestions do you have for improving the scalability of the standard?**

**Answer:** Yes, it is a scalable to groups of different sizes and complexities. Thus, by using ED-600, the auditor of a group composed of less complex entities would be able to conduct by themselves those procedures aimed at obtaining sufficient evidence on the group's financial statements without involving component auditors, provided that this is supported by the assessment of risk of material misstatement.

**6. Do you support the revised definition of a component to focus on the 'auditor view' of the entities and business units comprising the group for purposes of planning and performing the group audit?**

**Answer:** Yes, it is much more flexible; the definition is rather focused on how the auditor of the group's financial statements determines, based on their insight of the group, the business units or entities to conduct both their planning procedures and their audit.

**7. With respect to the acceptance and continuance of group audit engagements, do you support the enhancements to the requirements and application material and, in particular, whether ED-600 appropriately addresses restrictions on access to information and people and ways in which the group engagement team can overcome such restrictions?**

**Answer:** Those changes proposed in ED-600 are not radical and provide an enhancement to understanding the requirements. There is a better reference to other related ISAs, for example: NIA 210R and 705. The application material is appropriate and adequately broadens the requirement.

Enhancements sufficiently address potential restrictions to the auditor of a group, such as access to people and information of the group's components, and the response that the auditor must consider when

faced with these restrictions; and these are applicable requirements for big practices and small- and medium-sized practices in Colombia and no local amendments or adaptations are needed.

**8. Will the risk-based approach result in an appropriate assessment of the risks of material misstatement of the group financial statements and the design and performance of appropriate responses to those assessed risks? In particular, the IAASB is interested in views about:**

**a) Whether the respective responsibilities of the group engagement team and component auditors are clear and appropriate?**

**Answer:** Yes, ED-600 elaborates on the group's audit team's responsibilities regarding the engagement, in which own activities must be performed in order to meet certain goals, such as:

- i) engagement acceptance and continuance,
- ii) risk identification, including component risks,
- iii) communications with components in the oversight involvement, and
- iv) the assessment of sufficient appropriate audit evidence in order to reach a conclusion on the group's consolidated financial statements.

**b) Whether the interactions between the group engagement team and component auditors throughout the different phases of the group audit are clear and appropriate, including sufficient involvement of the group engagement partner and group engagement team?**

**Answer:** Yes, ED-600 mentions, in the communication process, the involvement in the relevant phases of the audit, so that the group's auditor is provided with all elements to perform their engagement and conclude.

**c) What practical challenges may arise in implementing the risk-based approach?**

**Answer:** The appropriate coordination between the group auditor and the component auditor because the group audit must deploy and reconcile the entire risk-based strategy to its components and that they conduct their audits in the same direction.

**9. Do you support the additional application material on the commonality of controls and centralized activities, and is this application material clear and appropriate?**

**Answer:** Yes, we support the additional application material because of what is stated in the ISA 230: The 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 from performing the procedures, and the findings and conclusions reached by the component auditor regarding those matters. The group engagement team uses professional judgment to determine the nature and extent of such documentation to include in the group engagement team's audit file.

**10. Do you support the focus in ED-600 on component performance materiality, including the additional application material that has been included on aggregation risk and factors to consider in determining component performance materiality?**

**Answer:** Yes, we agree that the components use an amount of performance materiality less than the group's performance materiality to address aggregate risk.

**11. Do you support the enhanced requirements and application material on documentation, including the linkage to the requirements of ISA 230? In particular:**

**Answer:** Yes, we support the linkage to the ISA 230.

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

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

**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?**

**Answer:** Yes, the group auditor must obtain sufficient evidence in order

to form an opinion on the financial by overcoming information restrictions, applying new strategies to make a sufficient review, and being objective to give an opinion.

## **12. Are there any other matters you would like to raise in relation to ED-600? Request for General Comments**

**Answer:** We believe that there are no other matters to be considered in ED-600.

## **13. The IAASB is also seeking comments on the matters set out below:**

**(a) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-600.**

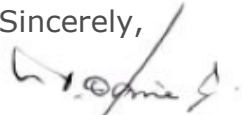
**Answer:** Translations into other languages, especially Spanish translations, must be quicker in other for them to be applied by non-English speaking countries in a timelier manner.

**(b) Effective Date—Recognizing that ED-600 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of a final ISA. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.**

**Answer:** We believe that 18 months is sufficient time.

We thank you for your attention and are ready to answer any questions.

Sincerely,



**Hugo F. Ospina G.**  
**President**