

October 1, 2020

International Audit and Assurance Standards Board
529 5th Avenue
New York, New York 10017
USA

Subject: Proposed International Standard on Auditing 600 (Revised) *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* and Proposed Conforming and Consequential Amendments to Other ISAs

The Canadian Securities Administrators Chief Accountants Committee appreciates the opportunity to comment on the Exposure Draft of the International Audit and Assurance Standards Board (IAASB) on Proposed International Standard on Auditing 600 (Revised) (“the proposed amendments” or “ED-600”). The Canadian Securities Administrators (CSA) is an organization of Canada’s provincial and territorial securities regulators whose objective is to improve, coordinate and harmonize regulation of the Canadian capital markets. The CSA Chief Accountants Committee (CAC) is comprised of the Chief Accountants from the provinces of British Columbia, Alberta, Ontario and Quebec.

We support the IAASB’s effort to strengthen the auditor’s approach to planning and performing a group audit and to clarify the interaction between ISA 600 and the other ISAs. Overall, we support the proposals and provide the following comments about a few key aspects of the proposals that we believe could be further strengthened.

Fraud and the consolidation process

Recent corporate failures have emphasized the importance of developing auditing standards that will result in the auditor performing procedures to minimize the risk of failing to detect fraud. Group audits that involve multiple international locations can increase this risk, and the consolidation process should include procedures that take fraud into account to a greater extent. The proposed amendments would be improved with the addition of further references to risks of material misstatement due to fraud in relation to the consolidation process.

Component auditor review by the Group

We support the need for robust communications and interactions between the Group engagement team and the component auditors. However, the proposed amendments may result in substantial flexibility for the group engagement team to conclude that it is not necessary to visit or review the working papers of the component auditor where the component auditor is part of the same network of firms. It may be the case that a network of firms may have inconsistent practices across offices and countries, and therefore we believe ED-600 should acknowledge that having the same network in place for the group and the component should not by itself be a sufficient reason to conclude that the component auditor’s work does not need inspection or review by the group auditor.

Access restrictions

We agree that restrictions to access to the component auditor’s work presents significant challenges to a group audit. We believe that there should be greater guidance provided in the proposed amendments to help the auditor to determine how such access restrictions could be addressed by the auditor. In addition, ED-600 provides flexibility in allowing the group auditor to determine, using professional judgement, the level of documentation to include in the group audit file where there are access restrictions. We believe the documentation requirements should be strengthened when such access restrictions prevent an auditor from including component auditor’s work in the group engagement file.

Oversight and supervision

We agree that strong communication and interaction between the group auditor and the component auditor is of utmost importance, and we support the proposed amendments that strengthen this feature of the standard. We think the standard should include greater requirements for the group engagement team to demonstrate and document the extent of oversight of the component auditor, and how the group engagement team concluded that the extent of procedures performed by the component were sufficient.

If you have any questions about this letter, please do not hesitate to contact us.

Yours truly,

The CSA Chief Accountants Committee

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