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Mr Tom Seidenstein,
Chair,
International Auditing and Assurance Standards Board,
529 Fifth Avenue, 6th Floor,
New York,
NY 10017,
USA

Dear Mr Seidenstein

Exposure Draft Proposed International Standard on Auditing 600 (Revised) *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*

Crowe Global is delighted to present a comment letter on the Exposure Draft Proposed International Standard on Auditing 600 (Revised) *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*. Crowe Global is a leading global network of audit and advisory firms, with members in some 130 countries.

The project to revise ISA 600 is important and much needed as issues regarding the application of the current standard have been known for some time. We are pleased that the revision is at the Exposure Draft stage and that the IAASB has an indicative timetable leading to the approval of the new standard. An improved ISA 600 will make a significant contribution to audit quality.

Overall, we agree with the structure and content of the Exposure Draft. Our responses to the Request for Comments are presented in the appendix to this letter. In our responses we have particularly identified subject matter that could be developed further in the Application Material or addressed in future Implementation Guidance.

We trust that our comments assist IAASB in completing the ISA 600 revision project. We shall be pleased to discuss our comments further with you.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read "David Chitty".

David Chitty
International Accounting and Audit Director

Appendix – Response to Request for Specific Comments Exposure Draft Proposed International Standard on Auditing 600 (Revised) *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*

Question	Response
Overall Questions	
1. With respect to the linkages to other standards:	
(a) Does ED-600 have appropriate linkages to other ISAs and with the proposed ISQMs?	ED-600 does have appropriate linkages to other ISAs and the ISQMs.
(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)? Are there other special considerations for a group audit that you believe have not been addressed in ED-600?	ED-600 does sufficiently address the special considerations in a group audit with respect to applying the requirements and application materials in other relevant ISAs. The interaction with ISA 220 (Revised) is important with regard to the responsibilities of the group engagement partner and group engagement team. It is important that this subject is adequately addressed in the ISA 600 (Revised) Application Material and Implementation Guidance.
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?	We support this approach. It is both important and helpful for practical reasons to highlight the requirements when component auditors are involved. When Implementation Guidance is developed, the IAASB could consider developing a commentary that focuses on the role and duties of component auditors.
3. Do the requirements and application material of ED-600 appropriately reinforce the exercise of professional scepticism in relation to an audit of group financial statements?	The requirements and application material of ED-600 do appropriately reinforce the exercise of professional scepticism in relation to an audit of group financial statements.
Specific Questions	
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).	The scope and applicability of ED-600 is clear. We support the definition of group financial statements including the linkage to a consolidation process.
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,	We believe that ED-600 is scalable to groups of different sizes and complexities.

what suggestions do you have for improving the scalability of the standard?	
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?	The focus on the "auditor view" in the revised definition is right. However, the auditor view could give rise to the practical problem of identifying "component management" and "component auditor". We encourage the IAASB to consider the practical consequences of applying the "auditor view" in developing the Application Material and Implementation Guidance.
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?	We support the enhancements to the acceptance and continuance requirements. ED-600 does appropriately address restrictions on access to information and people. The proposed Application Material provides an appropriate discussion, including relevant examples in A29.
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:	We welcome the risk-based approach and consider that this will result in an appropriate assessment of the risks of material misstatement of the group financial statements as well as appropriate responses to the assessed risks. The greater alignment with the requirements of ISA 315 (Revised 2019) and ISA 330 is important.
(a) Whether the respective responsibilities of the group engagement team and component auditors are clear and appropriate?	The respective responsibilities of the group engagement team and component auditors are clear and appropriate.
(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?	The approach of ED-600 to the interactions between the group engagement team and component auditors throughout the different phases of the group audit are clear and appropriate. Appendix 1 includes helpful additional guidance relating to the involvement of component auditors in the group audit. Overall, the more integrated approach is welcome, and we anticipate that it will improve the quality of the group audit as well as practical efficiency.
(c) What practical challenges may arise in implementing the risk-based approach?	Practical challenges could include: <ul style="list-style-type: none"> • The group auditor being able to determine whether they have done enough work and obtained sufficient appropriate audit evidence to support the opinion on the group financial statements. This arguably is an implementation challenge, and could be the subject of case studies in the Implementation Guidance; and

	<ul style="list-style-type: none"> Ensuring robust timely two-way communication about the risk assess between group auditors and component auditors as component auditors may possess knowledge that the group auditor is not aware of. Again, a case study in the Implementation Guidance could draw attention to the importance of two-way communication.
9. Do you support the additional application material on the commonality of controls and centralized activities, and is this application material clear and appropriate?	The additional application material on the commonality of controls and centralised activities is relevant, clear and appropriate. The approach taken by ED-600 reflects how many entities now operate and encourages a co-ordinated approach to the group audit. In addition, Appendix 3 provides a relevant commentary that will support practical application.
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?	We agree with the focus in ED-600 on component performance materiality. The Application Material provides helpful support to the standard. We would welcome this subject being addressed in the Implementation Guidance.
11. Do you support the enhanced requirements and application material on documentation, including the linkage to the requirements of ISA 230? In particular:	We support the enhanced requirements and application material on documentation.
(a) Are there specific matters that you believe should be documented other than those described in paragraph 57 of ED-600?	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.
(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?	We agree with this application material.
12. Are there any other matters you would like to raise in relation to ED-600?	<p>In addition to obtaining a confirmation, prior to dating the auditor's report. from component auditors that ethical requirements relevant to the group audit engagement have been fulfilled (ED-600, 20c), a confirmation ought to be obtained prior to the commencement of the engagement. Obtaining such a confirmation reflects what many auditors regard as best practice and current perform as part of group audit engagements.</p> <p>We agree with the determination of that component auditors have the appropriate</p>

	<p>competence and capabilities to perform the assigned audit procedures (ED-600, 21a). We observe that assessing “sufficient time to perform” may be challenging to apply in practice. We would welcome the inclusion of a specific paragraph in the Application Material to address the subject of assessing “sufficient time”.</p>
Request for General Comments	
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.	We have no particular comments about translation issues.
(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.	We agree with the proposed approach to the effective date together with the permission for and encouragement of earlier application.