

**ENHANCING AUDIT QUALITY IN THE PUBLIC INTEREST: A FOCUS ON  
PROFESSIONAL SKEPTICISM, QUALITY CONTROL AND GROUP AUDITS  
TEMPLATE FOR RESPONSES**

The following template is intended to facilitate responses to the IAASB’s Invitation to Comment (ITC), *Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits*. The questions set out below are replicated from the questions in the ITC on pages 87–95. Question numbers are coded to the consultation topics as follows:

- **G = General Question**
- **PS = Professional Skepticism**
- **QC = Quality Control**
- **GA = Group Audits**

**RESPONDENT’S INFORMATION**

<p><b>Name:</b> <i>(Please also fill in name in header for ease of reference)</i></p>	<p>Auditor General South Africa</p>
<p><b>Description of the capacity in which you are responding (e.g., IFAC member body, audit oversight body, firm, SMP, individual, etc.)</b></p>	<p>Supreme Audit Institution (SAI).</p>
<p><b>Name of contact person at organization (if applicable):</b></p>	<p>Gerhard Joubert – Head of Quality Control</p>
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## GENERAL QUESTIONS

G1. Table 1 describes what we believe are the most relevant public interest issues that should be addressed in the context of our projects on professional skepticism, quality control, and group audits. In that context:

- (a) Are these public interest issues relevant to our work on these topics?
- (b) Are there other public interest issues relevant to these topics? If so, please describe them and how, in your view, they relate to the specific issues identified.
- (c) Are there actions you think others need to take, in addition to those by the IAASB, to address the public interest issues identified in your previous answers? If so, what are they and please identify who you think should act.

G1(a)	Yes, they speak to the credibility of audit reports by enhancing quality of audits performed. S Special focus should be placed on : “Keeping ISAs fit for purpose”
G1(b)	<p><b>Revenue – significant risk</b></p> <p>In the public sector the assumption that revenue may be overstated and is perceived to be a significant risk may not be relevant in for instance the audit of departments. Other factors are more relevant in the public sector, and the standards can be enhanced to specifically focus on these in the public sector perspective for example procurement and contract management.</p> <p><b>Materiality – ISA 320</b></p> <ol style="list-style-type: none"> <li>1. ISA 320 does not provide a specific guidance/ methodology, or suggests a formula, that should be applied in determining materiality, but it only introduces guidance of possible benchmarks, such as categories of reported income (like profit before tax, gross profit etc), or of particularly relevant classes of transactions, account balances or disclosures, that should be corroborated by the exercising professional judgement in arriving at suitable level(s) of materiality.</li> <li>2. Further there is no consideration of the public sector requirements that could be applicable in determining materiality.</li> <li>3 ISA 320 does not prescribe how much lower the performance materiality should be, it merely stresses that it’s not a simple mechanical calculation and involves professional judgement. More guidance should be provided on how this should be determined to ensure consistencies.</li> </ol> <p>The lack of clear guidance in determining materiality and performance materiality can result in inconsistencies in the work performed by auditors on clients that are similar in nature as emphasis is placed on professional judgement and this could differ from auditor to auditor.</p> <p><b>Professional Judgement</b></p> <ol style="list-style-type: none"> <li>1. ISAs place a lot of emphasis on professional judgement but there is no clear guidance of how this should be applied and furthermore there is no definition of professional judgement.</li> </ol>

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	2. ISA 230 should be enhanced to emphasize the importance of applying the requirements of ISA230 in applying professional judgement.
G1(c)	No further comments.

G2. To assist with the development of future work plans, are there other actions (not specific to the topics of professional skepticism, quality control, and group audits) that you believe should be taken into account? If yes, what are they and how should they be prioritized?

G2	No further comments
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G3. Are you aware of any published, planned or ongoing academic research studies that may be relevant to the three topics discussed in this consultation? If so, please provide us with relevant details.

G3	<p>Yes, refer to :</p> <ul style="list-style-type: none"> <li>• A paper dealing with audit quality: 2011 International Conference on Humanities, Society and Culture IPEDR Vol.20 (2011) © (2011) IACSIT Press, Singapore</li> <li>• Financial Reporting Council - Audit Quality Thematic Review Fraud risks and laws and regulations - ( January 2014 )</li> </ul>
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**PROFESSIONAL SKEPTICISM**

PS1. Is your interpretation of the concept of professional skepticism consistent with how it is defined and referred to in the ISAs? If not, how could the concept be better described?

PS1	<p>Our interpretation of professional scepticism is consistent with the definition. However, our understanding is that professional scepticism requires more of the auditor than just to maintain an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence. It imposes certain responsibilities/ obligations on the auditor in order for the auditor to demonstrate that he/she maintained professional scepticism during the audit. These responsibilities /obligations would include complying with the fundamental principles of integrity, objectivity, professional competence and due care. Furthermore, the auditor would need to be independent in mind.</p> <p>For example, the definition as well as application and other explanatory material does not indicate these obligations which may result in the auditor not realising that the following would be considered lack of professional scepticisms:</p> <ul style="list-style-type: none"> <li>• Failing to obtain sufficient audit evidence beyond inquiry of management.</li> <li>• Performing insufficient procedure and relying of calculations performed by management without verifying the underlying data.</li> <li>• Insufficient direction of the work by the engagement manager.</li> <li>• Auditors not acting diligently in accordance with applicable technical and professional standards.</li> </ul> <p>Furthermore the definition as well as the application and other explanatory material does not clearly indicate the professional scepticisms also closely related to applying professional judgment during the audit. Appropriate application of professional judgement requires the auditor to have relevant training, knowledge and experience to make an informed decision. The auditors may not understand this relationship between the two concepts. The auditor may also not realise that he/she would not be able to demonstrate appropriately applying professional scepticisms without the appropriate knowledge and skill. This concept requires adequate direction and review by the engagement partner.</p> <p>The concept could be better described by linking it to the fundamental principles and independence of mind requirement as well as including the element of applying professional judgement. Furthermore, the IAASB should include the documentation requirements to demonstrate this concept. The abovementioned issues could also be addressed in the application and other explanatory material sections of the ISAs.</p>
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PS2. What do you believe are the drivers for, and impediments to, the appropriate application of professional skepticism? What role should we take to enhance those drivers and address those impediments? How should we prioritize the areas discussed in paragraph 37?

PS2	<p><u>Drivers of the appropriate application of professional scepticism</u></p> <ul style="list-style-type: none"><li>• A culture in the audit firm that encourages and embraces high quality of audit work.</li><li>• Less emphasis on meeting cost and time budget or deadlines as this may compromise the quality of work performed and hamper the auditor's ability to effectively apply professional scepticism during the audit.</li><li>• Good management of staff resources during busy and high pressure seasons. This would include better allocation of work to engagement managers in order to allow them to have sufficient time/ capacity to be involved in planning, directing and reviewing the work performed.</li><li>• Competence and skilled team members who have a deep understanding of the auditee they audit and complex issues that arise as well as an effective training programme within the firm.</li><li>• The understanding among auditors of the concept of professional scepticism and the documentation requirements.</li><li>• Adequate guidance from IAASB regarding the concept of professional scepticism, application thereof and the documentation requirements</li></ul> <p><u>Impediments to the appropriate application of professional scepticism</u></p> <ul style="list-style-type: none"><li>• The lack of detail in the definition of professional scepticism and lack of guidance relating to how this can be demonstrated is an impediment to the appropriate application of the concept. The current definition is broad and doesn't impose a requirement for the auditor to document the professional judgement exercised to demonstrate application of professional scepticism.</li><li>• The lack of understanding among auditors of the concept of professional scepticism.</li><li>• Pressure on the audit firm to cut costs and reduce the head count which may result in each engagement manager being responsible for many auditees or having high work load. This may result in less involvement by the engagement manager during the audit resulting in inappropriate application of professional scepticism.</li></ul>
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- Pressure on the firm from the auditee to reduce audit fees may result in the inappropriate use of the concept of professional scepticism to inappropriately reduce the nature and extent audit work performed on material balances. This may also contravene the requirements of the ISAs.
- Firms policies and procedures that do not reward and incentivise the appropriate application of professional of professional scepticisms. The policies and procedures may not support a positive attitude within the firm regarding the delivery and monitoring of quality of work within the firm. These policies may instead have a negative impact resulting in the auditors not being able or willing to demonstrate and fully document how they exercised their professional scepticism.
- Inability by audit firms to attract individuals with questioning minds and appropriate level of knowledge. Firms may hire staff that lack skills and competence to appropriately apply the concept of professional scepticism.
- Long- term relationships between auditors and auditees which create familiarity threats. Furthermore, auditees may be so specialised/ complex that the firm may not be able rotate staff involved in these audits often enough to reduce familiarity threat. Continuity of the team involved in the audit may be a concern and lack of individuals with the relevant experience in the market place (available to be recruited) may result in independence issues arising.

**The following details the role the IAASB should take to enhance those drivers and address those impediments:**

- The IAASB should consider revising the definition of the concept of professional scepticisms in the ISA and provide detail application material or frameworks that auditors can refer to. Furthermore, the IAASB could clarify the documentation requirements in order to demonstrate the appropriate application of Professional scepticism.
- The IAASB should consider the impact of the professional scepticism concept on audit quality and enforce the application of the concept in ISQC1 and ISA 220. The IAASB should also consider the role of the quality reviewers and audit committees in relation to professional scepticism during the audit.
- The IAASB should evaluate the impact of ethical and independence related issues on the auditor's ability to maintain professional scepticism. Furthermore, the IAASB should consider the impact of courage and fear amongst auditors on their ability to apply the concept appropriately.
- The IAASB should continue with research and projects relating to the concept of professional scepticism

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	<p><b>The IAASB should prioritise the following areas discussed in the background:</b></p> <ul style="list-style-type: none"> <li>• Clarifying what is meant by “professional scepticism” and whether the concept is consistently described across the ISAs, IESs and IESBA Code.</li> <li>• Evaluating whether the current requirements and guidance in the International Standards that refer to professional scepticism are clear as to what is expected from auditors.</li> <li>• Considering whether a professional scepticism framework or a professional judgment framework that focuses on professional scepticism (a topic already explored by some firms) should be developed</li> <li>• Considering whether there are specific actions that firms should take to address professional scepticism, including consideration of the effect of firm culture on the application of professional scepticism. Including how auditors can be effectively trained and how their competencies can be further developed to enhance the application of professional scepticism.</li> <li>• Considering the potential effect of evolving use of technology in audits, together with increasing business complexity, for example, whether auditors use technology (such as audit software applications and checklists) appropriately to support the application of professional scepticism.</li> </ul>
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PS3. Is the listing of areas being explored in paragraph 38–40 complete? If not, what other areas should we or the Joint Working Group consider and why? What do you think are the most important area to be considered?

<p>PS3</p>	<p>The IAASB should consider the application of professional scepticism in public sector audits (Audit of predetermined objectives and performance audit) as well as review and other assurance engagements.</p> <p>The impact of the level courage amongst auditors should also be considered as it may influence the appropriate application of professional scepticism. The ability for auditors to operating in a “safe” firm and auditee environment will influence the decisions they make.</p> <p>For a list of what we think are the most important area to be considered, please refer to P2 above relating to areas the IAASB should prioritise.</p> <p>A very pertinent area relates to what constitutes appropriate evidencing of the application of professional scepticism. This was also highlighted as one of the 7 public interest issues. Currently the application of professional scepticism is recommended by the standards as a response to specific situations eg Fraud. In our audits, we find this documented as a proposed auditors response, but it is rarely documented as to how this professional scepticism was applied. More clarity on this would be recommended.</p> <p>Eg: should the auditor document perhaps that certain evidence was supplied, however due to scepticism being deemed necessary for a specific individual or client, further corroborating</p>
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	<p>evidence was requested from a 2<sup>nd</sup> individual or 3<sup>rd</sup> party?</p> <p>It is agreed that the use of appropriate terminology and language is vital to drive both appropriate auditor behaviour as well as the necessary documentation required. This will also assist to eliminate potential quality issues.</p>
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PS4. Do you believe the possible actions we might take in the context of our current projects relating to quality control and group audits will be effective in promoting improved application of professional skepticism? If not, why?

<p>PS4</p>	<p>We believe that the possible actions the IAASB might take in the context of the IAASB's current projects relating to quality control and group audits will be effective in promoting improved application of professional scepticism.</p> <p>However, we also believe the following are also very important in assisting the auditors to understand the concept of professional scepticism:</p> <ul style="list-style-type: none"> <li>• Enhancing the definition of professional scepticism</li> <li>• Developing a professional scepticism framework to understand the concept of professional scepticism and support auditors in their consideration of whether they have appropriately applied professional scepticism in the context of individual engagements and group audits.</li> <li>• Enforcing the importance of applying this concept across the ISA's</li> </ul> <p>These will also support any actions taken by IAASB relating to quality control and group audits.</p> <p>The IAASB indicates that it could possibly reinforce the need to appropriately apply professional scepticism when revising ISA 600 and ISQC1.</p> <p>In doing this, the IAASB should also clarify in ISA 600 what would constitute evidence of the appropriate application of professional scepticisms and how the auditors should document the application of professional scepticisms in their working papers. Par 50 of ISA 600 is very broad in terms of what the group engagement team should include in the audit documentation.</p>
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PS5. What actions should others take to address the factors that inhibit the application of professional skepticism and the actions needed to mitigate them (e.g., the IAESB, the IESBA, other international standards setters or NSS, those charged with governance (including audit committee members), firms, or professional accountancy organizations)? Are there activities already completed or underway of which we and the Joint Working Group should be aware?

<p>PS5</p>	<p>Firms could develop their own firm specific frameworks/ guidelines relating to professional scepticisms which are linked to their audit methodology.</p>
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<p>SAICA and IRBA could further enforce this concept in their profession training programmes (competence framework and training model).</p> <p>CPD training courses/ e-learning programmes could be designed by SAICA and IRBA to assist qualifies members/ auditors in understanding the concept where case studies are provide with board examples or scenarios.</p> <p>Firms should be encourage to implement pooling systems where staff is given experience in broad range of clients in order to enhance the exposure and knowledge requirements that are necessary for the appropriate application of professional scepticism.</p> <p>Audit committees should be sensitised to the concept so that they also have an expectation that auditors will be professionally sceptical during the audit. They should question how this concept was applied by the auditors. This would encourage auditors to appropriately apply the concept during the audit.</p> <p>Firms should be required to analyse how the auditors currently document and demonstrate the concept. Root cause analysis should be conducted by each firm to address the unique impediments in each environment relating to the inappropriate application of the concept. Firms should be expected to mitigate these impediments.</p>
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## QUALITY CONTROL (INCLUDING QUESTIONS EXPLORING CROSSOVER ISSUES/ISSUES RELEVANT TO MORE THAN ONE PROJECT)

*The following questions relate to quality control matters set out in paragraphs 45–190. If you believe actions relating to quality control beyond those discussed in these paragraphs should be prioritized, please describe such actions and your supporting rationale as to why they require priority attention.*

QC1. We support a broader revision of ISQC 1 to include the use of a QMA as described in paragraphs 45–67.

- (a) Would use of a QMA help to improve audit quality? If not, why not? What challenges might there be in restructuring ISQC 1 to facilitate this approach?
- (b) If ISQC 1 is restructured to require the firm’s use of a QMA, in light of the objective of a QMA and the possible elements described in paragraphs 64 and Table 3, are there other elements that should be included? If so, what are they?
- (c) In your view, how might a change to restructure ISQC 1 impact the ISAs, including those addressing quality control at the engagement level?
- (d) If ISQC 1 is not restructured to require the firm’s use of a QMA, do you believe that we should otherwise address the matters described in paragraph 59 and table 2, and if so, how?

QC1(a)	<p>We fully support the use of a QMA as it will assist to improve quality by being more specific and customised to the risks facing various individual audit firms.</p> <p>The QMA focuses primarily on risk identification, risk assessment and risk response which will be beneficial in improving quality in audit and other engagements. It would be more descriptive and communicate better what is expected by firms in terms of quality control</p> <p>Risk identification and assessment might pose challenges due to subjectivity of the audit firms and detailed guidance must be included in the restructured ISQC1 to ensure that it is consistently applied. However this risk identification and assessment should be in addition to the existing six elements of ISQC1 whereby the adequate policies and procedures must be in place and implemented. Furthermore the standard should as provide minimum requirements that the firms would have to perform in order to ensure that the risk identification and assessment process (QMA) is consistently applied.</p> <p>Furthermore a challenge might arise when it comes to implementation of this at firm level as the nature, environment and maturity of each of audit firm is different and sometimes unique.</p> <p>ISQC 1 would therefore have to be principle based and provide audit firms with the necessary tools and guidance on how to best implement the QMA. This should be done such that the monitoring/firm inspections of the firm’s compliance with ISQC1 and/or effective functioning of a firm’s QMA is possible and not too subjective.</p>
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QC1(b)	Included under the element implement quality control activities consideration must be given to provide adequate training on these policies and procedures. This will ensure that the firm's personnel are adequately trained in these areas to assist in enhancing audit quality.
QC1(c)	Enhancements to ISA 220 to realign the principles contained in QMA but major changes are not anticipated. A consideration should be given to ensuring that where applicable the quality risks identified and responses thereto should be cascaded down to audit engagement level.
QC1(d)	The restructuring of ISQC 1 to incorporate the QMA is supported as the best option to improve audit quality.

QC2. *Engagement Partner Roles and Responsibilities*

- (a) Paragraphs 69–86 set out matters relating to the roles and responsibilities of the engagement partner.
- (i) Which of the actions outlined in paragraphs 85–86 would be most meaningful to address issues related to engagement partner responsibilities?
  - (ii) Why do you believe these actions are necessary?
  - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
  - (iv) Describe any potential consequences of possible actions that you believe we need to consider further.
- (b) Do you think it is necessary for the ISAs to include requirements or otherwise address the circumstances described in paragraph 79 in which an individual other than the engagement partner is required to or otherwise customarily sign(s) the auditor's report or is named therein? If yes, please explain why, and provide your views about how this could be done (including describing the work effort you believe would be necessary for such an individual).

QC2(a)(i)	All are considered meaningful with the most being a,b and e. Furthermore consideration could also be given to clarifying roles and responsibilities for individuals other than engagement partners who sign the audit report.
QC2(a)(ii)	They provide more detailed and practical clarity on the roles and responsibilities of engagement partners which is always a contentious issue from an audit quality monitoring perspective. This assist in holding engagement partners accountable.  Furthermore active involvement by the engagement partner throughout the audit ensures that the audit risks identified are appropriately addressed and the quality of the audit is of a high standard.
QC2(a)(iii)	Audits (excluding group audits) whereby the engagement partner's involvement is minimal due to location must be reconsidered as this would negatively impact the quality of the audit.  Emphasis should be made on what constitutes evidence of review by the engagement

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	partner.
QC2(a)(iv)	The increased supervision and review by the engagement partner through adequately managing time and resources will have a positive impact on audit quality.
QC2(b)	Yes. This issue should be addressed as the engagement partner is defined in the standard and specific responsibilities are assigned to such an individual; however the signatory is not given consideration. This might lead to an expectation from the engagement partner that the responsibility is somehow diminished and transferred to the signatory. Alternatively, the signatory may assume no responsibility as currently the responsibility lies with the engagement partner.

**QC3. Others Involved in the Audit**

(a) Paragraphs 87–104 set out matters relating to involvement of others in the audit:

- (i) Which of the actions outlined in paragraphs 100–104 would be most meaningful to address issues related to others participating in the audit?
- (ii) Why do you believe these actions are necessary?
- (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
- (iv) Describe any potential consequences of possible actions that you believe we need to consider further.

(b) Should we develop further requirements or application material for circumstances when other auditors are involved in an audit engagement (i.e., auditors that don't meet the definition of component auditors)?

QC3(a)(i)	This action is considered to be most meaningful- "The IAASB could consider whether specific requirements and application material are warranted in ISA 600 when other auditors (that are not component auditors or not otherwise part of the engagement team) are involved in the audit engagement..."
QC3(a)(ii)	Paragraph (Action) 1 will clarify the roles and responsibilities of those involved in the audit and assist in the quality of the audit. This will also close any gaps and ensure all auditors/leadership are responsible for work performed on the audit.  Furthermore, it is important for the engagement partner to still assume overall responsibility even on sections (components) where experts are involved.
QC3(a)(iii)	Paragraphs 2-4 is not supported due to the following: <ul style="list-style-type: none"> <li>• Use of another auditor's report as audit evidence can be made however no mention should be made on the audit report.</li> <li>• No mention should be made of the nature and extent of involvement of others in the audit, including component auditors, other auditors and auditor's experts since sufficient and appropriate evidence was obtained and the fact that the expert or other auditors were used to obtain this is irrelevant to the user.</li> </ul> <p>The term auditor will address engagement partner and audit team, therefore it is not</p>

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	required to specifically clarify the role as all team members have equal responsibility.
QC3(a)(iv)	<p>A challenging area currently is regarding the use of auditor’s experts. Many audit clients operate in highly specialised industries but the use of auditors’ experts is being hindered by financial implications of using such experts and availability of experts when taking into account the timing of audits.</p> <p>Auditors then rely on using the work of management’s expert and motivate reliance thereon even though in reality these experts are not always independent and objective in relation to the client. Therefore the IAASB needs to rethink and develop a better approach to using the work of auditor’s experts on audits.</p>
QC3(b)	No – this will be addressed by paragraph1 (Action 1). Furthermore the other auditors should be viewed as team members of the main audit team and their work should be subjected to the same level of supervision and review as other team members.

**QC4. The Firms’ Role in Supporting Quality**

- (a) Paragraphs 106–123 set out matters relating to networks of firms and use of ADMs.
  - (i) Which of the actions outlined in paragraphs 114–116 and 122–123 would be most meaningful to address issues related to firms operating as part of a network of firms and firms’ changing business models and structures?
  - (ii) Why do you believe these actions are necessary?
  - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
  - (iv) Describe any potential consequences of possible actions that you believe we need to consider further.
- (b) Specifically:
  - (i) What could we do to address the issues identified in the context of networks of firms? For example, should we develop more detailed requirements and application material to address reliance on network-level policies and procedures at a firm or engagement level?
  - (ii) Do you think it would be feasible for us to develop requirements and guidance for networks? Please provide a basis for your views.
  - (iii) Paragraphs 117–123 set out matters relating to the use of ADMs and related issues.
    - a. How should our standards emphasize the importance of appropriate quality control processes in relation to use of ADMs?
    - b. Are you aware of ADMs that raise issues not discussed in paragraphs? If so, please provide details.

QC4(a)(i)	No further comment - this is not applicable to the AGSA environment therefore not familiar with the circumstances. However based on information provided we support (a) & (c) in addressing the issues identified. .
QC4(a)(ii)	No further comment - this is not applicable to the AGSA environment therefore we are not

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	familiar with the circumstances.
QC4(a)(iii)	No further comment - this is not applicable to the AGSA environment therefore we are not familiar with the circumstances.
QC4(a)(iv)	No further comment - this is not applicable to the AGSA environment therefore we are not familiar with the circumstances.
QC4(b)(i)	No further comment - this is not applicable to the AGSA environment therefore we are not familiar with the circumstances.
QC4(b)(ii)	No further comment - this is not applicable to the AGSA environment therefore we are not familiar with the circumstances.
QC4(b)(iii)a	No further comment - this is not applicable to the AGSA environment therefore we are not familiar with the circumstances.
QC4(b)(iii)b	No further comment - this is not applicable to the AGSA environment therefore we are not familiar with the circumstances.

**QC5–QC10 address the more significant issues relating to quality control specific matters**

*QC5. Governance of the Firm, Including Leadership Responsibilities for Quality*

- (a) Paragraphs 125–135 set out matters relating to governance of firms, including leadership responsibilities for quality.
- (i) Which of the possible actions outlined in paragraphs 131–135 would be most meaningful in addressing issues related to firm governance and leadership responsibility for quality?
  - (ii) Why do you believe these actions are necessary?
  - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
  - (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.
- (b) Specifically:
- (i) Do you believe it is necessary for us to explore how the governance of a firm could be addressed in ISQC 1?
  - (ii) Should ISQC 1 specifically address accountability of firm leadership, or appropriate personnel within firm leadership, for matters related to quality, including independence- related matters? If so, how should this be done, and what direction should ISQC 1 provide to firms in appointing appropriate individuals to assume these responsibilities?
  - (iii) Would the use by firms of a QMA provide better support or context for the importance of quality-related responsibilities for firm leadership, and related accountability, and therefore better facilitate the ability of firms to address these matters?

QC5(a)(i)	All actions are considered meaningful.
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QC5(a)(ii)	Emphasis should be placed on the responsibility of firm leadership to set the tone at the top for quality to be driven which will ultimately enhance governance.
QC5(a)(iii)	No further comments as the above actions will be effective.
QC5(a)(iv)	No further comments.
QC5(b)(i)	Yes – improved governance controls will enhance audit quality.
QC5(b)(ii)	Yes – ISQC 1 needs to emphasise leaderships responsibility for audit quality however it should not provide an incorrect message that audit quality is only limited to certain individuals within firm. All auditors should take responsibility and ownership for audit quality. However specific individuals can be identified to drive audit quality and these should be personnel that are experts in the field auditing and accounting and who have the necessary skills and competencies to deliver the required service.
QC5(b)(iii)	Yes –The proposed QMA is supported.

QC6. *Engagement Quality Control Reviews and Engagement Quality Control Reviewers*

(a) Paragraphs 136–146 set out matters relating to engagement quality control reviews and engagement quality control reviewers.

- (i) Which of the possible actions outlined in paragraphs 143–146 would be most meaningful in addressing issues related to EQC reviews and EQC reviewers?
- (ii) Why do you believe these actions are necessary?
- (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
- (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

(b) Specifically:

- (i) Should ISQC 1 mandate the performance of EQC reviews beyond audits of listed entities? If yes, what other entities should be considered and how could we best define these entities? If no, please explain your reasoning.
- (ii) Do you believe it is necessary for ISQC 1 to require that firms define the minimum period of time between when an individual has been the engagement partner and when that individual would be eligible to serve as the EQC reviewer on the same engagement? If yes, how do you think this should be done and why? If no, please explain why.
- (iii) Would you support the development of a separate EQC review standard? Please explain the reasoning for your response.

QC6(a)(i)	All are meaningful and should be implemented except the following: <ul style="list-style-type: none"> <li>• Reference to an EQC review in the audit report.</li> <li>• Discussions with governance structures.</li> </ul>
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QC6(a)(ii)	<p>1. These actions will clarify the roles and responsibilities EQC reviewer to enhance audit quality.</p> <p>2. Ensuring stricter controls in place to support the audit conclusions.</p> <p>3. Strengthen documentation requirements</p>
QC6(a)(iii)	<p>1. The scope of EQCR needs to be better clarified- currently it is limited to significant judgments however instances arise where an audit component is not a significant judgment or significant risk but is still qualitatively material (for example, political sensitivity) based on the nature of the audit. These qualitatively material areas can impact the audit opinion and therefore should be included in the scope of the EQC reviewers. Currently the EQC reviewers are reluctant to review these sections as they are not within their scope.</p> <p>2. Emphasis must be placed on the independence and objectivity requirements of EQCRs</p>
QC6(a)(iv)	No further comments.
QC6(b)(i)	Yes – all public interest audits and audit with a significant engagement risk classification should be considered for EQCR.
QC6(b)(ii)	Yes, there must be independence so that an objective review can be performed. A cooling off period of 2 years is suggested.
QC6(b)(iii)	Yes, if it cannot be catered for adequately in ISQC 1 then consider a separate standard for EQCRs – can be part of ISQC quality standard series within the ISA's. This would enhance the importance of the EQCR and hopefully encourage better compliance from auditors. Furthermore guidance will ensure that a uniform and consistent approach for the industry.

QC7. Monitoring and Remediation

(a) Paragraphs 147–159 set out matters relating to monitoring and remediation.

- (i) Which of the possible actions outlined in paragraphs 156–159 would be most meaningful in addressing issues related to monitoring and remediation?
- (ii) Why do you believe these actions are necessary?
- (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
- (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

(b) Specifically:

- (i) Do you support the incorporation of a new requirement(s) in ISQC 1 for firms to understand the causal factors of audit deficiencies relating to inspection findings and other reviews? If not, why? Are there any potential consequences or other challenges of taking this action that you believe we need to consider?
- (ii) Do you support the incorporation of a new requirement(s) in ISQC 1 for the results of the firm's monitoring of the effectiveness and appropriateness of the remedial actions to be considered in the design and assessment of the effectiveness of the firm's system of quality

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control? Please provide further detail to explain your response.

QC7(a)(i)	All actions outlined are considered meaningful.
QC7(a)(ii)	<p>These actions strengthen monitoring and improve guidance and consistency in a firm</p> <p>Corrective actions that are adequately put in place to address the root causes of findings will ensure that gap arrears and audit efficiencies are addressed.</p> <p>Sharing findings with the auditors will raise awareness on audit quality issues and promote better quality audits.</p>
QC7(a)(iii)	IAASB should consider incorporating pro-active or hot reviews. These reviews are different to EQCRs due to the fact that they are more focussed and specific as they target those audit areas that are assessed as highly complex and challenging. These reviews assist in improving the overall quality on the audits.
QC7(a)(iv)	No further comments.
QC7(b)(i)	Yes we support the incorporation of all the new proposed requirements.
QC7(b)(ii)	Yes we support the incorporation of all the new proposed requirements. This should be formalised into the firms system of quality control and be adequately monitored.

QC8. *Engagement Partner Performance and Rewards Systems*

Paragraphs 160–170 set out matters relating to engagement partner performance and rewards systems.

- (a) Do you believe that establishing a link between compensation and quality in ISQC 1 would enhance audit quality? Why or why not?
- (b) What actions (if any) do you believe we should take in this regard? Are there potential consequences of possible actions that you believe we need to consider?

QC8(a)	<p>Yes – there should be link between compensation and quality in ISQC 1 with the intention of driving better performance and quality of audits. This should form part of the engagement manager’s performance evaluation and assessment criteria however this should not be the only criteria against which he/she is assessed. This would also help drive better ownership and accountability of audit quality by the engagement manager.</p> <p>However, not all persons are motivated by monetary compensation. There should be a stronger link between consequences and quality – i.e. consequence management for poor audit quality.</p>
QC8(b)	No further comment.

QC9. *Human Resources and Engagement Partner Competency*

- (a) Paragraphs 171–187 set out matters relating to human resources and engagement partner

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competency.

- (i) Which of the possible actions outlined in paragraphs 176–178 and 187 would be most meaningful in addressing issues relating to human resources and engagement partner competency?
  - (ii) Why do you believe these actions are necessary?
  - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
  - (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.
- (b) Specifically, which of the possible actions outlined, or other actions not described, in paragraphs 176–178 and 187 would most positively impact audit quality:
- (i) Arising from issues related to knowledge, skills, competence and availability of a firm's partners and staff?
  - (ii) Related to engagement partner competency?
  - (iii) Why do you believe these actions are necessary? If you would not support a particular action, please explain why, including any potential consequences of those actions that you believe we need to consider.

QC9(a)(i)	All actions are considered meaningful.
QC9(a)(ii)	It will result in engagement managers being better informed and improve their accountability.  It promotes career development.
QC9(a)(iii)	It is unclear from the information above what explicit details will be provided on project management however we just wish to highlight that project management is an area that should be given due to consideration in the standards.
QC9(a)(iv)	No further comments.
QC9(b)(i)	The following will have the most positive impact: <ul style="list-style-type: none"> <li>• Updating requirements and application material in ISA 220 to make the engagement partner's responsibilities for leadership and project management (including the assessment of the competence and objectivity of the engagement team) more explicit.</li> <li>• Considering whether ISQC 1 should explicitly highlight the competencies in IES 8 (Revised) in the areas of Interpersonal and Communication Skills, Professional Skills and Professional Values, Ethics and Attitudes.</li> </ul>
QC9(b)(ii)	The following will have the most positive impact: <ul style="list-style-type: none"> <li>○ Strengthening the requirements or enhancing the application material that</li> </ul>

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	<p>discusses the responsibilities of the engagement partner in relation to relevant ethical requirements by members of the engagement team.</p> <ul style="list-style-type: none"> <li>○ Updating application material in ISQC 1 or ISA 220 concerning the engagement partner responsibilities to include the concepts of leading by example and mentoring.</li> <li>○ Updating requirements and application material in ISA 220 to make the engagement partner’s responsibilities for leadership and project management (including the assessment of the competence and objectivity of the engagement team) more explicit.</li> </ul>
QC9(b)(iii)	It will result in engagement managers being better informed and improve their accountability.

**QC10. Transparency Reporting**

Paragraphs 188–190 set out matters relating to transparency reporting.

(a) Do you believe we are able to positively contribute to the evolving developments related to transparency reporting? If so, what, in your view, would be the most appropriate action we could take at this time?

(b) If you would not support us taking actions as described in paragraph 190(b), please explain why, including any potential consequences of those actions that you believe we need to consider.

QC10(a)	Yes – The actions are supported. The outcomes of these actions will then direct further initiatives that the IAASB can consider.
QC10(b)	No further comments.

**The following questions are overall questions relating to quality control:**

QC11. Are there any other issues relating to quality control that we have not identified? If yes, please provide details. What actions should we take to address these issues?

QC11	<p>One of the most common areas when inspection findings are noted is regarding re-performance of audit work on file. Currently ISA 230 talks about an experienced person being able to re-perform the audit work and arrive at the same conclusions. Unfortunately this principle is understood and applied differently by the auditors in the profession. The IAASB should expand its guidance and application material on the concept of re-performable audit documentation with the intention of ensuring better consistency and improve audit quality.</p> <p>Furthermore, ISA 230 should indicate that the amendment of audit files when requested for quality inspections should not be allowed.</p>
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QC12. Are there any other specific actions that others could take in relation to quality control? If yes,

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please provide details.

QC12	No further comments.
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QC13. Are there any specific considerations for SMPs related to the issues and potential actions described in this section? Are there any other considerations for SMPs of which we should be aware? If so, please provide details and views about these matters.

QC13	No further comments.
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QC14. Are there any specific public sector considerations related to the issues and potential actions described in this section? Are there any other public sector considerations of which we should be aware? If so, please provide details and views about these matters.

QC14	No specific comments here – all our comments and inputs above stem from our experience and challenges in the public sector audit space.
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## GROUP AUDITS

The following questions relate to group audit matters set out in paragraphs 191–305. If you believe actions relating to group audits beyond those discussed in these paragraphs should be prioritized, please describe such actions and your supporting rationale as to why they require priority attention.

GA1. We plan to revise ISA 600 (and other standards as appropriate) to respond to issues with group audits.

- (a) Should we increase the emphasis in ISA 600 on the need to apply all relevant ISAs in an audit of group financial statements? Will doing so help to achieve the flexibility that is needed to allow for ISA 600 to be more broadly applied and in a wide range of circumstances (see paragraphs 194–198)? If not, please explain why. What else could we do to address the issues set out in this consultation?
- (b) Would the actions we are exploring in relation to ISA 600 improve the quality of group audits? If not, why?
- (c) Should we further explore making reference to another auditor in an auditor’s report? If yes, how does this impact the auditor’s work effort?
- (d) What else could the IAASB do to address the issues highlighted or other issues of which you are aware? Why do these actions need priority attention?

GA1(a)	<ol style="list-style-type: none"> <li>1. Yes, the IAASB must specifically state in ISA 600 what other ISAs will be applicable in an audit of group financial statements. Further to that, the specific ISA that is referenced to must also cater for the specific requirements that exist in a group audit. This will assist in order to apply the ISA within the range of circumstances. Additional emphasis should be made which will achieve the flexibility required.</li> <li>2. ISA 600 already includes requirements per important audit area from a group audit perspective (as addressed in other ISAs, for example: over all audit strategy, understanding, materiality, responding to risks). It is not clear how this emphasis will make ISA 600 more flexible to apply to a wider range of circumstances. The definitions for group financial statements and components could be expanded and further explained in the existing application material to clarify when ISA 600 applies or not. The applicability of ISA 600 could also be further explained in the scope section of ISA 600, for example paragraph 2 that states that the ISA may be used where the auditor involves another auditor to perform work on their behalf.</li> </ol>
GA1(b)	<p>Yes, it would as there would be a clear indication from the requirements what is expected from the auditors and will provide more clarity regarding the processes to follow taking into consideration the various circumstances surrounding group audits.</p>
GA1(c)	<p>No, the group audit report will be based on the audit reports of the various components. If significant matters were identified on a component level, it must be evaluated for materiality and inclusion in the group audit report. The normal audit principles must be applied.</p> <p>Only in instances where reliance cannot be placed on the other auditor’s work, reference must be made in the group audit report. It should also provide a proactive approach to identifying and addressing the possible risks to the group audit making it unnecessary to include the reference to another auditor in the audit report.</p>

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	The group engagement partner takes full responsibility for the audit of the group financial statements.
GA1(d)	<p>1. There must be a clear indication of the level of work that the group auditors need to do to obtain assurance that the work done by the component auditors can be relied upon. Also, the roles and responsibilities of both the component and the group auditors must be clearly stated. Communication between these auditors is crucial.</p> <p>2.Paragraph 3 of the scope of the ISA states that the requirements of the ISA still applies in scenarios where all the entities are required to be audited by statute/ regulation. It is not clear how, for example, the requirements to identify significant and non-significant components and the group audit team’s involvement in the component audit under these circumstances still apply equally.</p>

**GA2–GA9 address the more significant issues relating to group audits in greater detail.**

*GA2. Acceptance and Continuance of the Group Audit Engagement*

- (a) Paragraphs 204–217 set out matters relating to acceptance and continuance of the group audit engagement.
  - (i) Which of the possible actions outlined in paragraphs 215–217 would be most meaningful in addressing issues related to acceptance and continuance procedures?
  - (ii) Why do you believe these actions are necessary?
  - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
  - (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.
- (b) Specifically:
  - (i) Are access issues as described in paragraph 207(a) still frequently being experienced in practice? If yes, please provide details and, where possible, explain how these are being addressed today.
  - (ii) Do you agree that ISA 600 can or should be strengthened in relation to addressing access issues as part of acceptance and continuance?
  - (iii) Would expanding the understanding required for acceptance and continuance, as described in paragraph 215 (b), be achievable in the case of a new audit engagement?

GA2(a)(i)	<p>Making a decision whether or not to accept an engagement is not applicable to the AGSA as we are mandated to audit. However this does not diminish the responsibility of the engagement partner to perform certain acceptance procedures in order to identify the level of engagement risk that is being dealt with. This risk assessment will then be used to determine the applicable safeguards that need to be applied in order to mitigate this risk. Therefore, the actions detailed in b and c will add a lot of value in assisting the group auditor to be able to make an informed decision on the approach of the audit and the post</p>
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	conservative manner to mitigate the identified risks on the audit.
GA2(a)(ii)	<ol style="list-style-type: none"> <li>1. As explained under the previous comment, it is important to do these risk assessment procedures in order to identify the risk on the audit in order to design and apply the appropriate safeguards in order to mitigate these risks. It will also assist to close the gap between ISA600 and ISQC1. The standards do not contain many detailed guidance on group engagements, there is a need to clarify in order to avoid confusion.</li> <li>2. More application material and a link to ISQC1 will provide the auditor with appropriate mitigating actions when deciding whether to continue with an engagement.</li> </ol>
GA2(a)(iii)	The main issues were identified and explained. Furthermore, it could be useful if guidance could be provided on the auditor's actions in circumstances when the engagement has to be accepted by law.
GA2(a)(iv)	The only potential consequence to this is that the link to ISA 230 must also be made so that it is clear for the auditors what they need to document when performing the client acceptance procedures.
GA2(b)(i)	<ol style="list-style-type: none"> <li>1. The access to the information is not always the main reason for concern. What is a concern is the identification and communication of risks and the required actions to mitigate the risks. The auditors might identify what is required but fail to communicate what it is that they require in order mitigating the risks. The communication must be direct and clear and specific in what is being required.</li> <li>2. There are instances where information is not available for audit, but not necessarily due to access not being provided to a component or premises. If information is not available for audit the requirements of ISA 705 are applied.</li> </ol>
GA2(b)(ii)	Yes, for reason explained above.
GA2(b)(iii)	Yes as there are many avenues of obtaining knowledge, even on a new engagement. The risk of not identifying a critical risk factor is also so much higher with a new engagement and therefore these requirements are crucial.

**GA3. Communications between the Group Engagement Team and Component Auditors**

- (a) Paragraphs 218–225 set out matters relating to communications between the group engagement team and component auditors.
  - (i) Which of the possible actions outlined in paragraph 224 would be most meaningful in addressing issues relating to communication between the group engagement team and the component auditor?
  - (ii) Why do you believe these actions are necessary?
  - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why?
  - (iv) Please also describe any potential consequences of possible actions that you believe we

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need to consider further.

GA3(a)(i)	<p>This would be procedure a and d. Whilst it is not only crucial for better initial instructions from the group auditor to the component auditor, the component audit must provide simple and regular feedback and guidance from the group auditor in terms of their performance of their respective duties. All of these communication, feedback and guidance must adhere to the ISA 230 standards and must be documented in a clear and logic manner.</p> <p>Paragraph 48 of ISA 600 should be revised to better address direct communication between the group engagement team and the component auditor This will support the communication process and enhance the effectiveness thereof.</p>
GA3(a)(ii)	<p>This will support the communication process and ultimately the audit process and enhance the effectiveness thereof. It will ensure that the group auditors engage with the component auditors in a timely manner and that frequent engagement occurs in order to reduce the risk of oversight of issues that may arise.</p>
GA3(a)(iii)	<p>No other issues identified.</p>
GA3(a)(iv)	<p>None to indicate other than those mentioned already.</p>

GA4. *Using the Work of the Component Auditors*

- (a) Paragraphs 226–242 set out matters relating to using the work of the component auditors.
- (i) Which of the possible actions outlined in paragraph 234 and 242 would be most meaningful in addressing issues related to using the work of the component auditor?
  - (ii) Why do you believe these actions are necessary?
  - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
  - (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.
- (b) Specifically:
- (i) Should the nature, timing and extent of involvement of the group engagement team in the work of the component auditor vary depending on the circumstances? If yes, how could changes to the standard best achieve this objective?
  - (ii) Should ISA 600 be strengthened to require the group engagement partner to make an explicit determination about whether the group engagement team can use the work of a potential component auditor?

GA4(a)(i)	<p>Option a would provide the most guidance and possibly add the most value since it will describe the level and detail that the group auditor must be involved in the work performed by the component auditor especially the proposed action for the group auditor to conduct site visits.</p> <p>This will ensure that the group of auditors comply with the same quality and ethical standards</p>
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GA4(a)(ii)	This will ensure that the group of auditors comply with the same quality and ethical standards.
GA4(a)(ii)	None
GA4(a)(iv)	There might be resistance from either the group auditor to take responsibility over the work performed by the component auditor or the component auditor might be reluctant to take instructions made by the group auditors.
GA4(b)(i)	<p>Yes, the nature, timing and extent of the involvement of the group auditors will be directly impacted by the identified client risk assessment and acceptance procedures performed. It will also be influenced by the group auditor's assessment and evaluation of component auditor and level of reliance that is planned to be placed on the work that they had performed. Timing should not be imposed but it should be compulsory for the interaction and involvement between group auditor and component auditor.</p> <p>Criteria could be developed for when it is necessary to do a site visit and when it would be appropriate to only receive a memo of work performed. This requirement should specifically address the scenario where the components should be audited in terms of statute or regulation.</p>
GA4(b)(ii)	Yes

**GA5. Identifying and Assessing the Risks of Material Misstatement in a Group Audit**

- (a) Paragraphs 243–253 set out matters relating to identifying and assessing significant risks in a group audit:
- (i) Which of the possible actions outlined in paragraphs 251–253 would be most meaningful to address issues relating to identifying significant risks for the group audit?
  - (ii) Why do you believe these actions are necessary?
  - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
  - (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

GA5(a)(i)	<p>Option c and d would be of most value. Mainly because risk identification will have been done on a component level and group level however the difficulty comes in when trying to link these identified risks to the group as a whole and designing an appropriate response to those risks. Details of when a risk identified at component level will be considered as significant at a component level in other words making it a pervasive risk is crucial. If the principle is accepted that the risk assessment of the auditors at each level (component and group) will be the most appropriate, it is crucial to determine their respective impact on each other.</p> <p>Furthermore, more guidance is required in this identification. The application material merely indicates that 15% of a chosen benchmark could be appropriate.</p>
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GA5(a)(ii)	This is a very important decision as it will not only impact the group audit report but also individual component audit reports. If a matter is identified at component level and it is determined that this risk is significant and pervasive to the group, mention must be made at group level if these risks cannot be mitigated to an acceptably low level. The other scenario also exists, if a risk is identified at group level that is of such high importance that it will influence the risk at component level, the auditors of those components must evaluate those risks and design appropriate actions to mitigate them if possible. Examples will provide more guidance for the different circumstances.
GA5(a)(iii)	None
GA5(a)(iv)	None

**GA6. Issues Relating to Component Materiality and Other Aspects of Materiality Relevant to Group Audits**

- (a) Paragraphs 254–261 set out issues relating to applying the concept of materiality in a group audit. Do you agree with the possible actions recommended in paragraph 261 to clarify the different aspects of materiality in a group audit? If not, please indicate which actions are not appropriate and describe why.
- (b) Recognizing that significant changes to ISA 320 will not be contemplated until a review of ISA 320 has been performed in its entirety (potentially as part of a future project to address 9materiality more broadly), please describe any other relevant issues or additional actions that you think may be appropriate relating to component materiality, component performance materiality or the clearly trivial threshold at the component level.

GA6(a)	Yes, the indicated actions are appropriate.
GA6(b)	No other issues are identified. Also take into consideration that a link must also be drawn to final materiality as per ISA 450.

**GA7. Responding to Identified Risks of Material Misstatement in a Group Audit (Including Issues Relating to the Group Engagement Team’s Involvement in the Consolidation Process)**

- (a) Paragraphs 262–292 set out matters relating to responding to identified risk of material misstatement in a group audit (including the group engagement team’s involvement in the consolidation process).
  - (i) Which of the actions outlined in paragraphs 272–273, 279, 288 and 292 would be most meaningful to address issues relating to responding to identified risks of material misstatement in a group audit?
  - (ii) Why do you believe these actions are necessary?
  - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
  - (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

(b) Specifically:

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- (i) What are your views on scoping the audit based on identifying and assessing the risks of material misstatement for the group as a whole, rather than focusing the determination of the necessary work effort on the determination of whether components are considered significant or non-significant? Are there any practical challenges that we need to consider further?
- (ii) Are there other possible actions related to auditing groups where there are a large number of non-significant components that we should explore? Are there other approaches to auditing such groups that need to be considered? Do the possible actions presented lead to any additional practical challenges?
- (iii) Should the standard be strengthened for the group engagement team to be more involved at the sub-consolidation level in the appropriate circumstances? Are there further issues or practical challenges that have not been considered?
- (iv) Should the requirements or application material relating to subsequent event procedures be strengthened or clarified? Are there further issues or practical challenges that have not been considered?

GA7(a)(i)	Option D. ISA 600 could be enhanced by more explicitly linking to the relevant requirements and application material in ISA 315 (Revised) (which requires the auditor to obtain an understanding of internal control relevant to the audit and the financial reporting process used to prepare the entity's financial statements), and adding more application material to ISA 600 to explain how this might apply in the context of a group audit, specifically when sub-consolidations exist.
GA7(a)(ii)	This will enhance the effective performing of the audit as well as focusing on the significant issues and addressing those rather than to waste time on unimportant and immaterial issues therefore encouraging efficiency.
GA7(a)(iii)	None identified
GA7(a)(iv)	None identified
GA7(b)(i)	The proposed scoping method is appropriate. The possibility should always be considered that the incorrect focus can be placed on insignificant issues. There should be a link between risks of material misstatement and significant components. (i.e. if there is a significant risk at group level that affects a component it should be regarded as a significant component.) The decision taken by the auditor must be made with professional scepticism and be clearly documented in terms of ISA 230.
GA7(b)(ii)	If there are a large number of insignificant components, these should be sampled similar to the way the Auditor General South Africa (AGSA) performs audit on Audit of Predetermined Objectives (AOPO) and perform specific procedures on these.
GA7(b)(iii)	Yes, for reasons as explained above
GA7(b)(iv)	The timing of auditor's report on the consolidated financial statements differs from the timing of the reports on the subsidiaries/ components. The requirements relating to subsequent events after the date of the auditor's report on the subsidiaries are therefore different to the requirements for the consolidation before the report is signed. It could therefore be clarified whether the component auditor has additional responsibilities after the

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	<p>date of the component auditor's report until the report on the consolidated financial statements is finalised.</p> <p>More emphasis through examples could assist.</p>
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**GA8. Review and Evaluation of the Work of Component Auditors by the Group Engagement Team**

- (a) Paragraphs 293–303 set out matters relating to the review and evaluation of the work of component auditors by the group engagement team.
- (i) Which of the actions outlined in paragraphs 299 and 303 would be most meaningful in addressing issues relating to the review and evaluation of the work of component auditors by the group engagement team?
  - (ii) Why do you believe these actions are necessary?
  - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
  - (iv) Please also describe any potential consequences of those actions that you believe we need to consider further.

<p>GA8(a)(i)</p>	<p>Strengthening the documentation requirements for the group engagement team, emphasizing the importance of appropriately documenting significant judgments relating to the findings of the component would be most meaningful in addressing issues relating to the review and evaluation of the work of component auditors by the group engagement team.</p> <p>There may be adequate ongoing two-way communication between the group and component auditors. However, the extent of the group auditors in the work performed by the components and the continuous communication/ meeting held with the component auditors may not be adequately documented in the group auditors audit file. The group auditors may be uncertain regarding the nature and extent of documentation that would be considered sufficient.</p> <p>Clear documentation requirements would provide clarify to the auditors on how to demonstrate how they appropriately applied professional judgments and professional scepticisms during the planning, execution and conclusion stages as well as in relation to the evaluation of the findings of the component auditors. This would also assist them in demonstrating how they have applied their professional scepticisms in determining if enough appropriate evidence was obtained by the component auditors to support the conclusion in the group audit report.</p> <p>Clarity should also be provided by the IAASB relating to situations where other auditors are involved in an engagement that is not an audit of group financial statements. The engagement team may be uncertain relating to the documentation required to demonstrate adequate involvement and appropriate application of professional judgments and professional scepticisms during the audit. ISA 600 may not fully apply in this situation</p>
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	<p>resulting in confusion during the audit regarding the documentation requirements and the appropriate application.</p>
GA8(a)(ii)	<p>This action is necessary as the guidance provided in ISA 600 par 50 relating to the documentation requirements is very broad. Reference is made in ISA 600 par 50 of ISA 230 par 8-11 and par A6. However, this is not sufficient.</p> <p>The current ISA doesn't adequately provide guidance regarding the documentation requirements relating to demonstrating the appropriate allocation of professional judgement and professional scepticism. Strengthening the requirements and application material will clarify the necessary work effort and what is required to be documented.</p>
GA8(a)(iii)	<p>For situations where other auditors are involved in an engagement that is not an audit of group financial statements, the IAASB could consider provide further clarity regarding the responsibilities of the engagement partner/ manager and other partners/ manager especially in instances where the engagement partner is not located where the majority of the audit work is performed and a different audit file is prepared by the other auditors.</p> <p>The auditors may also be uncertain as to the extent of the engagement auditor's involvement the risk assessment and planning of the appropriate response to risks identified by the other auditors.</p> <p>IAASB could also consider indicating the documentation requirements that would assist the engagement partner to demonstrate sufficient involvement in the audit work performed by the other auditors.</p> <p>Furthermore, IAASB should evaluate the implication of using the audit report and management report of the other auditors as audit evidence in this situation.</p>
GA8(a)(iv)	<p>The potential consequences of the abovementioned actions that the IAASB needs to consider further would be:</p> <ul style="list-style-type: none"> <li>• Improved audit quality as engagement partners/ managers would be aware of the audit documentation required.</li> <li>• Improvement in the appropriate application of professional scepticism as the auditors would be provided with guidance relating to the documentation requirements for demonstrating the appropriate application of the concept during the audit.</li> </ul> <p>An improvement in the documentation of professional judgement exercise during the audit.</p>

**GA9. The Impact of New and Revised Auditing Standards**

How should the matters set out in paragraphs 304–305 be addressed in our plans to revise ISA 600? Are there any other implications from our new or revised standards that should be considered?

GA9	<p>The IAASB should consider the following:</p> <p><u>Disclosures</u></p> <ul style="list-style-type: none"> <li>• Clarifying the responsibilities of the engagement team and component auditors in relation to the disclosure requirements.</li> <li>• The nature of the component information that is significant and should be disclosed in</li> </ul>
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	<p>the Group financial statement</p> <ul style="list-style-type: none"> <li>• The impact of the Disclosure requirements in situations where the work if performed by other auditors ( where ISA 600 may not be fully applicable)</li> <li>• Considering the possible use of the other auditor’s (including component auditors) report as evidence.</li> <li>• Whether the disclosure requirement would increase the amount of work performed by the auditors (cost implications vs benefit).</li> <li>• The impact of the disclosure requirement on public sectors entities and limited assurance engagements (AOPO and compliance audits where work is performed by other auditors).</li> <li>• Whether the group auditors would need to indicate that work was performed by component auditors and other auditors.</li> </ul> <p><u>Identifying Key Audit Matters in a Group Audit Engagement</u></p> <ul style="list-style-type: none"> <li>• Clarifying the responsibilities of the engagement team and component auditors in relation to the identification of Key Audit Matters in a Group Audit Engagement.</li> <li>• Providing clarity in the revised ISA regarding what would be considered a key audit matter</li> <li>• Providing guidance regarding the nature, time and extent of procedures that may be performed to identify these key matters</li> <li>• Guidance could be provided on how key audit matters relating to components should be reported in the group auditor’s report.\</li> <li>• Reference should be made to ISA 701 instead of including requirements relating to key audit matters in ISA 600.</li> <li>• Evaluating the impact of this on the amount of work performed by the auditors (cost implications vs benefit)</li> </ul> <p><u>Other matters for consideration :</u></p> <p>As stated in the background information the requirements and application material should be enhanced.</p>
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**The following questions are overall questions relating to group audits:**

GA10. Are there any other issues relating to group audits that we have not identified? If yes, please provide details. What actions should we take to address these issues?

GA10	IAASB should include sufficient guidance regarding each issue in relation to the public sectors.
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GA11. Are there any other specific actions that others could take in relation to group audits? If yes, please provide details.

GA11	The Audit firms could also develop their own frameworks or guidelines in line with the ISA in order to provide further guidance to auditors (eg. in public sector). These guidance documents
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	<p>or frameworks would be aligned to the firm’s methodology and address the industry or sectors specific challenges that auditors face. This would allow for the ISA to remain flexible and less restrictive.</p> <p>Firms could continue to provide training to staff relating to group audits or the use of other auditors work.</p> <p>Professional bodies could provide further training on group audits once the revised standard is issued.</p>
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GA12. Are there any specific considerations for SMPs related to the issues and potential actions described in this section? Are there any other considerations for SMPs of which we should be aware? If so, please provide details and views about these matters.

GA12	Not applicable as AGSA would not be able to provide meaning full considerations/ inputs relating the small and medium practises.
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GA13. Are there any specific public sector considerations related to the issues and potential actions described in this section? Are there any other public sector considerations of which we should be aware? If so, please provide details and views about these matters.

GA13	<p>The involvement of other auditors work is common in public sector audits. The IAASB should consider the following:</p> <ul style="list-style-type: none"> <li>• Providing clarify regarding the responsibilities of the engagement team and other auditors. As well as indicating which party would be responsible for performing risk assessment and designing procedures to be performed.</li> <li>• Providing clarity regarding the documentation requirements relating to the work performed by the other auditors.</li> <li>• Providing clarity regarding which engagement partner or manager is responsible to the quality of work. How the audit should be directed, performed, supervised and reviewed.</li> <li>• Providing clarify regarding the level of involvement required and communication needed between the engagement team and other auditors.</li> <li>• Address issues relating to the evaluation of the work of the component auditors on the group audit engagement and whether sufficient appropriate audit evidence has been obtained.</li> <li>• AGSA audit of AOPO and compliance and how these will be addressed by component auditors and incorporated into ISA 600. (agreed upon procedures / limited assurance engagements)</li> </ul>
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