

1 October 2020

Submitted electronically

<http://www.iaasb.org/publications/proposed-international-standard-auditing-600-revised-special-considerations-audits-group-financial>

Mr. Seidenstein
Chairman
International Auditing and Assurance Standards Board
545 Fifth Avenue
New York
10017 USA

Dear Mr Seidenstein

Comments on the IAASB's Proposed International Standard on Auditing 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* and Conforming and Consequential Amendments

The Independent Regulatory Board for Auditors (IRBA) is both the audit regulator and national audit and ethics standard setter in South Africa. Its statutory objectives include the protection of the public by regulating audits performed by registered auditors, and the promotion of investment and employment in the Republic.

We appreciate this opportunity to comment on the proposed International Standard on Auditing 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* and conforming and consequential amendments (ED-600), developed by the International Auditing and Assurance Standards Board (IAASB).

Our response has been prepared by a Committee for Auditing Standards' Task Group, which comprised technical staff representatives from auditing firms, a consulting firm, the South African Reserve Bank and the South African Institute of Chartered Accountants.

Our comments are presented under the following sections:

- A. General Comments;
- B. Request for Specific Comments and Responses; and
- C. Editorial Comments.

If further clarity is required on any of our comments, kindly e-mail us at imtegha@irba.co.za.

Yours faithfully,

Signed electronically

**Imran Vanker
Director: Standards**

A. General Comments

1. The IRBA welcomes and supports the IAASB's revision of the International Standard on Auditing 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* (ISA 600), which introduces an enhanced risk-based approach to planning and performing a group audit. This approach appropriately focuses the group engagement team's attention and work effort on identifying and assessing the risks of material misstatement of the group financial statements, and on designing and performing further audit procedures to respond to those assessed risks.
2. Further, we support the concept in ED-600 recognising that component auditors can be, and often are, involved in all phases of a group audit. In such circumstances, the proposed standard highlights the importance of the group engagement team's involvement in the component auditor's work. The IRBA also supports the following objectives of the IAASB's revision of ISA 600:
 - a. Clarifying the scope and applicability of the standard;
 - b. Emphasising the importance of exercising professional scepticism throughout the group audit;
 - c. Clarifying and reinforcing that all ISAs need to be applied in a group audit through establishing stronger linkages to the other ISAs, in particular to proposed ISA 220¹ (Revised), ISA 315² (Revised 2019) and ISA 330³;
 - d. Reinforcing the need for robust communication and interactions between the group engagement team, the group engagement partner and component auditors;
 - e. Including new guidance on testing common controls and controls related to centralised activities;
 - f. Including enhanced guidance on how to address restrictions on access to people and information; and
 - g. Enhancing special considerations in other areas of a group audit, including materiality and documentation.
3. We welcome the increased focus on the group engagement partner to ensure that an individual is held accountable and responsible for the entire group audit.
4. We note the International Ethics Standards Board for Accountants' (IESBA) project to consider the definition of Engagement Team, and the relationship with ED-600. We appreciate this coordinated approach between the IAASB and the IESBA.

¹ ISA 220, *Quality Control for an Audit of Financial Statements*.

² ISA 315, (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*.

³ ISA 330, *The Auditor's Responses to Assessed Risks*.

5. We believe that the risk-based approach may result in unwelcomed divergent applications in practice, in how such engagements are scoped. We, therefore, encourage the IAASB to provide more clarity on how to perform scoping of group audits, to ensure a more consistent application of the requirements in ED-600 and the ISAs.
6. We urge the IAASB to ensure that the finalised ISA 600 (Revised) is clear on the requirements/expectations with regard to the review of the component auditor's working papers, including the responsibility of the engagement quality control reviewer, where applicable.
7. We agree with the IAASB in encouraging firms to undertake field testing, as that will inform the practical application of ED-600. This may also inform additional requirements in the finalised ISA 600 to address group audit scoping and/or documentation of how the group audit risk assessment should be approached and/or performed. The lack of preparation of sufficient audit documentation remains a key inspection finding in South Africa⁴.
8. There are several matters discussed in the "Request for Specific Comments and Responses" section that the IRBA would like to bring to the IAASB's attention regarding where ED-600 could be further strengthened. This strengthening is necessary to ensure a consistent application of the requirements and the consistency of work performed by auditors. This will also assist regulators with inspections and enhance audit quality in the performance of audits of group financial statements.
9. In addition to our comments below, we believe that auditors must be encouraged to do more, with regard to fraud risk identification in a group audit, through conducting the overall risk assessment (as required in ISA 315 (Revised 2019)) and fraud risk assessment (required in ISA 240⁵) in an integrated manner. This is even more critical when we consider the recent high-profile corporate failures in some jurisdictions as well as the expectation gap between the work performed by auditors and what users expect and perceive to be the auditor's responsibilities in relation to fraud in an audit of financial statements.

⁴ IRBA [Public Inspections Report 2019](#).

⁵ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*.

B. Request for Specific Comments and Responses

Overall Questions

Question 1

With respect to the linkages to other standards:

Question 1(a)

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

10. We recommend that the IAASB considers additional linkages to the following ISAs:
- a. The finalised ISA 220, *Quality Management for an Audit of Financial Statements* (refer to our response to Question 1(b) in this comment letter for the details);
 - b. ISA 230, *Audit Documentation* (refer to our response to Question 11(a) in this comment letter for further details);
 - c. ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* (refer to our comment in paragraph 9 in this comment letter)
 - d. ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, to highlight what aspects of ISA 315 require the involvement of the group engagement team;
 - e. ISA 510, *Initial Audit Engagements* (refer to our response in paragraph 26 in this comment letter for more details); and
 - f. ISA 620, *Using the Work of an Auditor's Expert*, as the specialised nature of a group audit often requires the involvement of an auditor's expert.

Question 1(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?

11. We believe that the IAASB should consider addressing the issue of who is ultimately responsible for assembling and archiving a group audit file. This would be in light of the different audit firms and engagement teams that may be involved at the component or group engagement team level, as well as the possibility of restrictions on access to information that is outside the control of the group management.

12. Therefore, the IAASB should consider providing guidance relating to the assembly of the audit documentation to support the group opinion, specifically with regard to audit evidence that is documented in component files and not included in the group audit file. This relates to how group engagement teams should ensure that the documentation to address risks of material misstatement that support the group financial statements is complete and assembled on a timely basis, in line with the assembly requirements of the group audit file. This guidance should contemplate that it may be the case that two or more different reports are issued in respect of the same subject matter information of an entity; and the time limits for the assembly of final engagement files need to address each report, as if it were for a separate engagement. An example would be when the firm issues an auditor's report on a component's financial information for group consolidation purposes and, at a subsequent date, an auditor's report on the same financial information for statutory purposes.

Question 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?

13. We support the structure of the standard, especially the placement of sub-sections throughout ED-600 that highlight the requirements when component auditors are involved.
14. Additionally, the IAASB may want to consider whether the standard should differentiate between the review of the component auditor's working papers and the review of the component auditor's work, for example, in paragraph 23 of ED-600. The former would require the group engagement team to review the component auditor's audit file or replicate the component auditor's working papers in the group engagement team's audit file. The latter would require the group engagement team to document the component auditor's work or the report from the component auditor to the group engagement team.
15. Further, we suggest elevating paragraph A35 of ED-600 to a requirement, as this emphasises the need for the component auditor to confirm that it will conduct its work as directed by the group engagement team.

Question 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?

16. We agree that the requirements and application material of ED-600 appropriately reinforce the exercise of professional scepticism in relation to an audit of group financial statements.
17. We recommend that the IAASB considers additional examples in the application material to illustrate how an auditor demonstrates or encourages professional scepticism. Such examples could include a scenario where a group audit, at the election of the audit client, is performed by multiple audit firms, including joint auditors, and the need to understand why the group audit is not performed by a single audit firm, as well as the resulting effect on professional scepticism, if any.

Specific Questions

Question 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).

18. We believe that the scope and applicability of ED-600 are clear.
19. Regarding the definition of group financial statements in paragraph 9(k), we recommend that the IAASB provides clarity on the applicability of ISA 600 to financial statements that do not undergo a consolidation process and the interpretation thereof under different financial reporting frameworks, such as financial statements that may contain equity accounted associates and joint ventures, among others, with no subsidiaries being part of such a group. The clarity can be achieved by cross-referencing paragraph 9(k) to paragraph 11 of ED-600, where the consolidation process, as envisioned under ED-600, is explained in detail.
20. Further, the IAASB should consider expanding on what is meant by “prepared financial information” in paragraph A17 of ED-600, as it is currently not clear whether it refers to the process, a trial balance or a set of financial statements; and how it links to the definition of a component as per ED-600.

Question 5

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

21. We believe the proposed standard is scalable to groups of different sizes and complexities.

Question 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?

22. We support the revised definition of a component to focus on the “auditor view” of the entities and business units comprising the group for the purposes of planning and performing the group audit. However, we would like to highlight the practical challenges in reconciling to the management process where management’s conclusions on the components in a group may not be the same as the auditor’s conclusions on the components in the group. In such a scenario, who will be the envisioned component management? Further, the auditor may decide to aggregate subsidiaries into a component. In such a scenario, the IAASB is encouraged to give guidance as to who should be viewed as the component management from the auditor’s viewpoint. In any scenario where the

auditor's view of components differs from that of management, it may be challenging to determine at what level management takes responsibility for the financial information, approves such financial information for distribution or provides the auditor with management representations.

23. The IAASB should also consider additional guidance as to whether the group engagement team's consideration of the risks of material misstatement of the group financial statements, as referenced in paragraph A12, has to be performed before or post consolidation entries. This is imperative as consolidation entries may eliminate items that could be an indicator(s) of error or fraud, if considered before the consolidation process.

Question 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?

24. With respect to the acceptance and continuance of group audit engagements, we support the enhancements to the requirements and application material in ED-600.
25. We recommend that in the case of a continuing engagement, as per paragraph 17(i) of ED-600, the IAASB should consider the role of those charged with governance in an effort to remove the barrier from restrictions on access imposed by group management before withdrawal from the engagement. This can be achieved by the IAASB requiring communication between the group engagement partner and those charged with governance (for example, the audit committee), regarding any restrictions on access imposed by group management. This is further complicated by the consideration of which auditor will take on the engagement in such a case, especially if it is a statutory audit.
26. In relation to paragraphs 18 and 19 of ED-600, we recommend that the IAASB includes guidance on group audit pre-engagement activities (acceptance and continuance) required and the relevant documentation in the case of a new group audit, as compared to an existing group audit engagement. This also extends to working with a new component auditor(s), as compared to an existing component auditor(s). Further guidance is required on the amount of work effort envisaged by the IAASB before acceptance of a new group audit engagement, as compared to the work effort during the group planning stage of an existing group audit engagement.
27. Although we acknowledge that the ISAs require an auditor to apply professional judgment, we submit that the use of the words "serious concerns" in paragraph 22 of ED-600 is too subjective and, as such, will not allow for a consistent approach to the requirement. We suggest that the IAASB defines or provides guidance as to what is meant by "serious concerns". In our view, a serious concern is a concern that cannot be mitigated or one that safeguards cannot address. An example of a serious concern would be a lack of independence or a history of poor quality results by a component auditor.

28. We further suggest that the IAASB separates the two concepts of independence and professional competence of the component auditor in paragraph 22 of ED-600. This is because the group engagement partner's concerns over competence can be overcome or mitigated by putting in safeguards, such as being more involved in the work of the component auditor or by directly performing further audit procedures on the financial information of the component; whereas the group engagement partner's concerns over the independence of the component auditor cannot be mitigated/overcome. This is in line with paragraphs A47 and A48 of ED-600.

Question 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?

29. We support the view that the risk-based approach will 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, subject to there being enough guidance. Refer to our response to Question 8(c) for our concerns on the practical challenges that may arise from implementing the risk-based approach.
30. We submit that the wording in paragraphs 25 and 32 of ED-600 is incoherent. It is thus unclear what requirement in paragraph 32 must be fulfilled by the group engagement team from the current wording in paragraph 25. We recommend that paragraph 25 should rather refer to the principle of involving the component auditor in the understanding of the component's system of internal control, with reference to the requirements of paragraphs 19 to 27 in ISA 315 (Revised 2019). In addition, paragraph 32 should then refer to the involvement of the component auditor in identifying and assessing the risks of material misstatement, with reference to the requirements of paragraphs 28 to 37 in ISA 315 (Revised 2019) (or ED-600 paragraph 31, as deemed appropriate), based on the understanding obtained by performing procedures referred to in paragraph 25 of ED-600.

Question 8(a)

In particular, the IAASB is interested in views about:
Whether the respective responsibilities of the group engagement team and component auditors are clear and appropriate?

31. We believe that the respective responsibilities of the group engagement team and component auditors are clear and appropriate.
32. Due to its importance in a group, we suggest that the IAASB considers including "governance arrangements" in paragraph 24 of ED-600, as part of the group engagement team's responsibility on which to obtain an understanding.

Question 8(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?

33. We believe that the interactions between the group engagement team and the component auditors, throughout the different phases of the group audit, are clear and appropriate, including the sufficient involvement of the group engagement partner and the group engagement team.
34. Given its importance, we suggest that paragraph 31 of ED-600 should include the group engagement team's responsibility for communicating risks of material misstatement where component auditors are going to be involved.
35. We also suggest that the IAASB considers placing paragraphs 37 to 41 of ED-600 after paragraph 33 because these paragraphs are in respect of responding to the assessed risks of material misstatement, as opposed to the consolidation process that is covered in paragraphs 34 to 36.
36. We submit that paragraphs 28(b) and 41(b) of ED-600 are the same. As such, the IAASB should consider consolidating them into one requirement where the component auditor communicates to the group engagement team any events or conditions that may cast significant doubt on the group entity's ability to continue as a going concern. We, therefore, recommend that paragraph 28(b) be deleted and paragraph 41(b) be retained.

Question 8(c)

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

37. We recommend that the IAASB considers including a scoping paragraph in the requirements section of the standard, as not having this requirement may lead to inconsistencies in the application of ED-600 in practice. With the lack of clear requirements in this area, there is an increased risk of pressure from clients to create incentives for inappropriate scoping to achieve efficiencies in the group audit at the cost of quality, which would go against the intention of the standard. For example, there is a risk that the group engagement team may group entities and treat them as a homogeneous population when it is not appropriate and/or inconsistent with the facts and circumstances of the entities. We recommend that the IAASB considers the inclusion of requirements and additional application material on scoping to assist auditors and to emphasise the requirement for the group engagement team to evidence their judgments where the auditor's view of the components is different from that of management; and the consequential impact of this on the auditor's i) risk assessment; ii) internal controls testing; and iii) audit approach. The requirements on scoping should be principles-based and may include content from paragraphs A86 to A90 and could be placed after paragraph 33 of ED-600. The IAASB may also consider including content on what should be covered in a group audit risk assessment process, and possibly principles on minimum scoping required, as this would achieve a consistent approach by auditors on how to design the audit approach in responding to

various risks in a group audit.

38. In the case where an audit has been performed on the financial statements of an entity or a business unit that is part of the group, and an auditor's report has been issued for statutory, regulatory or other reasons, and the group engagement team plans to use such work as audit evidence for the group audit, as outlined in paragraph 42 of ED-600, we suggest that the IAASB considers the following:
- a. including that the group engagement team should evaluate the relevance of such work for group audit purposes; and
 - b. that the group engagement team should also evaluate the relevance of such work from a group audit threshold for misstatements perspective, which will include the consideration of whether the actual audit misstatements for such an audit are clearly trivial for the purposes of a group audit.

The latter explanation could also be included in the application material to the standard.

39. In addition, paragraph 42 of ED-600 should include reporting considerations to distinguish between a statutory audit opinion and a group audit opinion, as well as the possibility of the group engagement team needing the component auditors to perform additional procedures (also known as "top-up procedures"), over and above the statutory audit procedures, in order to use such work as audit evidence for the group audit.
40. As part of the group engagement team's evaluation in paragraph 42 of ED-600, the IAASB could consider including the possibility of the group engagement team requesting specific reporting from the component auditor and the need to still comply with all the requirements of ED-600, regardless of the group engagement team placing reliance on the component auditor's work for statutory, regulatory or other reasons, as evidence for the group audit. This would be in addition to paragraph 42(a)–(c).
41. The application material of ED-600 acknowledges that communication between the group engagement team and a component auditor may not necessarily be in writing (paragraph A108). It should be emphasised that if oral communication (i.e. via a telephone, a video conference, etc.) or other forms of communication, other than written one, were the primary form of communication, the group engagement team would be required to evidence in their audit file sufficient details to clearly demonstrate the level of their oversight, read together with paragraphs 8-11 in ISA 230.
42. We suggest that the IAASB elevates paragraph 44(d)–(e) for indicators of possible management bias and those deficiencies in the system of internal control identified in connection with the audit procedures performed that warrant the group engagement team's attention. The IAASB may also consider reminding the group engagement team in the application material to ED-600 of the need to consider aggregation risk in collating information from component auditors.

43. Regarding paragraph 49 of ED-600, taking into account the nature of a group audit and how auditors address aggregation risk, the current link in paragraph A115 of ISA 330 and paragraph 18 implies the need to test the auditor's population to below materiality. Therefore, we suggest that the IAASB considers giving guidance on how an auditor should address the group audit's remaining untested population, given the requirement in ISA 330, paragraph 18, for the auditor, irrespective of the assessed risks of material misstatement, to design and perform substantive procedures for each material account balance, class of transactions and disclosure, as that may be helpful for the purposes of the evaluation in the context of a group audit. The possible audit response to untested balances, such as substantive analytical procedures, should also be expanded on in the application material to ED-600. This will then clarify how the stand-back provisions of ED-600 interact with ISA 330.

Question 9

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

44. We support the additional application material on the commonality of controls and centralized activities. Further, we believe that this application material is clear and appropriate.

Question 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?

45. We support the focus in ED-600 on component performance materiality.
46. We suggest that the IAASB should consider including in paragraph A75 additional overall factors to determine performance materiality, such as the understanding of the entity and component management competence assessments.
47. In addition, the IAASB may want to consider whether there is value in retaining the term "overall component materiality" from extant ISA 600.

Question 11

Do you support the enhanced requirements and application material on documentation, including the linkage to the requirements of ISA 230?

48. We support the enhanced requirements and application material on documentation. Refer to our response to Question 11(b) with respect to our recommendations on documentation.

Question 11(a)

In particular:

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

49. We recommend that the IAASB considers documentation of the following matters in paragraph 57 of ED-600:
- a. Matters required by paragraph 31 of ED-600;
 - b. Scoping of the group audit (refer to paragraph 37 in this comment letter where this suggestion is provided in more detail);
 - c. ISA 230 specific matters, including the assembly of the group audit file (refer to our comments in paragraphs 11 and 12 in this comment letter);
 - d. How the group engagement team evaluated the audit evidence (including the group engagement team's review of the component auditor's working papers) to form an opinion on the group financial statements; and
 - e. Group instructions, where applicable.

Question 11(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?

50. We 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.

Question 12

Are there any other matters you would like to raise in relation to ED-600?

51. The IRBA has recently finalised its project on guidance in the performance of a joint audit. In drafting the guidance, heavy reliance was placed on the principle that ISA 600 references joint auditors in the definitions section as follows: *"Group engagement partner – The partner or other person in the firm who is responsible for the group audit engagement and its performance, and for the auditor's report on the group financial statements that is issued on behalf of the firm. Where joint auditors conduct the group audit, the joint engagement partners and their engagement teams collectively constitute the group engagement partner and the group engagement team. This ISA does not, however, deal with the relationship between joint auditors or the work that one joint auditor performs in relation to the work of the other joint auditor."*⁶ Other than the definition of group engagement partner in the ISAs' Glossary of Terms, there are no other references to joint auditors in the ISAs. It is thus surprising that, as part of the conforming and consequential amendments arising from ED-

⁶ ISA 600, *Special Considerations – Audit of Group Financial Statements (including the work of component auditors)*, paragraph 9(h) (emphasis added).

600, the underlined section has been moved to the application and other explanatory material section of Proposed ISA 220 – Quality Management for an Audit of Financial Statements. We strongly recommend that the underlined section be placed within the definitions section of ISA 220, as the concept is too important to be placed in the application and explanatory material.

52. Further, we suggest that the IAASB considers additional examples/factors/guidance with respect to paragraph A124 on when it would be appropriate to include some of the component auditor’s documentation in the group engagement team’s audit file (for example, documentation of significant matters addressed by the component auditor that are relevant to the group audit). This is to encourage a consistent application of the application material and consistency of work performed by auditors.
53. Lastly, it is worth noting that the electronic audit tools that are referenced in paragraph A128 of ED-600 are not necessarily subject to the same policies and procedures as the group audit engagement file. It should thus be clarified that the documentation from electronic audit tools should be placed in the group audit engagement file.

Request for General Comments

Question 13

The IAASB is also seeking comments on the matters set out below:

Question 13(a)

Translations—Recognising 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.

54. No comment.

Question 13(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.

55. The earliest effective date of ED-600 will be for financial reporting periods beginning on or after 15 December 2022; which is aligned with the anticipated effective dates for the revised quality management standards, ISA 220, ISQM 1 and ISQM 2. We strongly recommend that the IAASB aim to finalise this proposed standard no later than June 2021. The release of ED-600 is overdue, and the nature and frequency of scandals involving foreign components causes significant risk to the investing public globally to delay the effective date of this standard any further than necessary to allow for quality implementation by audit firms.

C. Editorial Comments

- Editorial changes recommended below are denoted as ~~strike through~~ for words that should be deleted and underlined for words that should be inserted.

ED-600 paragraph number	Recommended editorial changes to ED-600	Comments
Paragraph 8	The objectives of the auditor <u>group engagement partner</u> are to:	This would elevate the objectives in paragraph 8 of ED-600 and make them the responsibility of the group engagement partner.
Paragraph 8(c)	<u>When component auditors are involved</u> , b <u>Be</u> sufficiently and appropriately involved in the work of component auditors throughout the group audit engagement, including communicating clearly about the scope and timing of their work, and in evaluating the results of that work; and	Achieves clarity of the objective.
Paragraph 9(b)	Component – A <u>An entity, business unit</u> , location, function or activity (or <u>a</u> combination of locations, functions or activities) determined by the group engagement team for <u>the</u> purposes of planning and performing audit procedures in a group audit. (Ref: Para. A12)	Suggested edit to align with wording used in other areas of ED-600 and the definition in paragraph 9(k).
Paragraph 16	If the group engagement partner concludes that group management cannot provide the engagement team with access to information or unrestricted access to persons within the group due to restrictions that are outside the control of group management, the group engagement partner shall consider the possible effects on the group audit. (Ref: Para. A27-A30 , A32)	Paragraph A31 is not relevant to paragraph 16, as it relates to restrictions on access imposed by group management.
Paragraph 26	“When paragraph 25 applies <u>component auditors are involved in</u>	Achieves clarity of the requirement.

ED-600 paragraph number	Recommended editorial changes to ED-600	Comments
	<u>performing risk assessment procedures</u> , the group engagement team shall...”	
Paragraph 33	“...the group engagement team shall take responsibility for the nature, timing and extent of further audit procedures to be performed <u>in response to the assessed risks of material misstatement.</u> ”	Achieves clarity of the requirement.
Paragraph 44(d)	Indicators of possible management bias <u>that warrant the group engagement team’s attention;</u>	Refer to paragraph 42 in our comments above.
Paragraph 44(e)	Description of any deficiencies in the system of internal control identified in connection with the audit procedures performed <u>that warrant the group engagement team’s attention;</u>	Refer to paragraph 42 in our comments above.
Paragraph A17	<p><u>When branches or divisions within a single entity prepare financial information, through separate branch or divisional accounting, financial reporting frameworks may require the financial information of the branches or divisions to be aggregated into the financial statements of the entity, including the elimination of interbranch or interdivisional transactions and balances.</u></p> <p>[split]</p> <p><u>In some circumstances, the accounting for the branches or divisions may be performed centrally, and there is no separately prepared financial information for the branches or divisions that requires aggregation. In these circumstances, unless there are other entities or business units whose financial information is subject to a consolidation process as described in paragraph 11, the financial statements do not represent group financial statements and therefore this ISA does not apply.</u></p>	Suggestion to split paragraph A17 into two paragraphs, due to the fact that the first part of the paragraph considers the aggregation of branches or divisions information, whereas the second part explains circumstances where the information, collectively, is regarded as one population and actually results in those circumstances being outside the scope of ED-600.

ED-600 paragraph number	Recommended editorial changes to ED-600	Comments
Paragraph A25	<p>...</p> <p>In considering these restrictions circumstances:</p> <ul style="list-style-type: none"> • an inability to obtain sufficient appropriate audit evidence would need to be evaluated, in accordance with ISA 705 (Revised).⁷ in forming an opinion on the group financial statements; or • in exceptional circumstances, such restrictions may lead to withdrawal from the engagement, where withdrawal is possible under applicable laws or regulations. 	Paragraph A25 sets out restrictions that may be imposed, which could lead to two possible outcomes: modification under ISA 705 or withdrawal from the engagement. Suggestion to change the order of the two sentences and potentially rather list these in bullets, as suggested in the edit.
Paragraph A95	<ul style="list-style-type: none"> • Checking <u>Evaluating</u> the reconciliation and elimination of intra-group transactions and unrealized profits, and intra-group account balances. 	Last bullet, suggestion to replace “Checking” with the word “Evaluating”.
Paragraph A100	<p>The group engagement team may determine that audit evidence needs to be obtained on one or more classes of transactions, account balances, or disclosures of the financial information of a component. In such circumstances, the group engagement team may request that the component auditor performs further audit procedures on the classes of transactions, account balances or disclosures and may assign the design and performance of further audit procedures to the component auditor. The component auditor may need to consider the sufficiency and appropriateness of audit evidence obtained in performing the further audit procedures <u>on these classes of transactions, account balances, or disclosures with</u> respect to the financial information of the component.</p>	Suggested edit to make it clear that this consideration does not extend to the other financial information of the component, but only to the scope as instructed by the group to perform audit procedures on the specific classes of transactions, account balances, or disclosures.

⁷ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*.
