



October 1, 2020

Mr. Willie Botha
International Auditing and Assurance Standards Board
529 Fifth Avenue
New York, NY 10017

Dear Mr. Botha:

The Illinois CPA Society (ICPAS) is a statewide membership organization, with over 23,000 professionals dedicated to enhancing the value of the CPA profession. Founded in 1903, ICPAS is one of the largest state CPA societies in the United States. ICPAS represents Illinois CPAs in public accounting and consulting, corporate accounting and finance, not-for-profit, government and education organizations as well as affiliate member groups for students, educators, international professionals, and related non-CPA finance professionals.

The ICPAS Audit and Assurance Services Committee (the “Committee” or “we”) is pleased to comment on the proposed International Standard on Auditing (ISA) 600 (Revised), *Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)*. The organizational and operating procedures of the Committee are reflected in the attached Appendix A to this letter. These comments and recommendations represent the position of the Committee rather than any individual members of the Committee, the organizations with which such members are associated, or the ICPAS Board.

OVERALL QUESTIONS

1. With respect to the linkages to other standards:
 - (a) Does ED-600 have appropriate linkages to other ISAs and with the proposed ISQMs?
 - (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?

Response: In response to 1. (a), we believe the linkages are appropriate. In response to 1. (b), we question how a group auditor gains comfort with a component auditor of a foreign company that conducts in a foreign language (*Application Material - A40*). We suggest application guidance as to the approach to dealing with this (such as using an intermediary to interpret), related supervision requirements, or if the client wants to use a local firm that speaks a different language than the group auditor (e.g. instances where a statutory audit is needed) (*Appendix 1, paragraph 2*). We also believe more clarity around aggregating trivial misstatements and the impact on component materiality could be added to ED (*Application Material - A77*).



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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?

Response: Yes

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

Response: Yes

SPECIFIC QUESTIONS

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

Response: We support the definition of group financial statements. However, we would suggest an enhanced definition of the group audit as it pertains to separate divisions of a single legal entity. The ED includes an example of a consolidated group comprised of 15 legal entities, which for group audit purposes is combined into three components based on the commonality of information systems and systems of internal control (*Application Material - A5*). We would also like to see addressed the situation where a single legal entity has individual components within the one entity, and therefore, would also be considered to be a group audit.

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?

Response: Yes

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?

Response: Yes, we concur.



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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?

Response: We believe this is appropriately addressed.

8. Will the risk-based approach result in an appropriate assessment of the risks of material misstatement of the group financial statements and the design and performance of appropriate responses to those assessed risks? In particular, the IAASB is interested in views about:
 - (a) Whether the respective responsibilities of the group engagement team and component auditors are clear and appropriate?
 - (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?
 - (c) What practical challenges may arise in implementing the risk-based approach?

Response: In responses to 8. (a), we believe this is appropriately addressed. In response to 8. (b), we believe considerations to take place at client acceptance could be enhanced, in particular discussions around potential issues that should be identified at client acceptance and guidance for what type of communication between the group auditor and the component auditors should take place at this point (*Explanatory Memorandum Section 2-E Acceptance and Continuance; ED 600 – Requirements – Acceptance and Continuance #13*).

In response to 8. (c) we believe challenges could arise in implementing the risk-based approach due to differing audit methodologies between the group and component auditors. We believe the proposed standard could be difficult to implement for firms of different sizes and differing audit methodologies. In certain situations, the group auditor is a large international firm and the component auditors are comprised of teams from the group auditor’s various offices. As a result, the audit methodologies are consistent between the group and component auditors. However, in other situations the group auditor is a different firm than the component auditor, with each having differing audit methodologies. We see this as a challenge in terms of scalability of the standard and would like to see more guidance or tools on how the use of different audit methodologies by the component auditors is addressed by the group auditor (*Explanatory Memorandum Section 2D Scalability Considerations #37-38; ED 600 paragraphs #3, 4, 9(b), 24, 31 and 33*).

We request IAASB account for all audit firms when considering the comments received and incorporating them into the exposure draft. We believe some of the standard is written to focus only on the largest firms, which puts smaller firms at a competitive disadvantage. The ED’s definition of a component auditor makes the component auditor part of the engagement team. The ED references how the component auditor may review other documentation which the firm



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may not be able to provide to an external party like a group engagement team. The ED factors in only group engagement teams using component auditors that are part of their network of firms rather than any outside component auditor, including those who may be better suited to provide the services. Many firms routinely perform niche audit work for foreign accounting firms that might be impacted by group audit considerations. As the standards continue to consider quality, it is important to not stifle competition, as competition will increase quality within the industry.

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

Response: We believe the ED does not give specific enough detail of how the group auditor would modify their work to address the various situations identified. The ED outlines the need to gain an understanding of the commonality of controls and centralized activities but does not provide application guidance. For example, do you aggregate for testing, at what point is the group auditor placing too much reliance on group controls when component has similar controls? (*Application Material - A59-A63*)

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?

Response: We believe the introduction section of the ED seems to provide more detailed information about aggregation risk than the standard (*Explanatory Material Section 2-H Materiality - Aggregation Risk #79; ED 600 – Definitions #9a Aggregation Risk and related Application Material - A11; Application Material – paragraph A75*). We believe more examples of where aggregation risk may be present and addressing qualitative considerations in addition to quantitative considerations would be helpful.

11. Do you support the enhanced requirements and application material on documentation, including the linkage to the requirements of ISA 230? In particular:
- (a) Are there specific matters that you believe should be documented other than those described in paragraph 57 of ED-600?
 - (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?

Response: In addressing both 11. (a) and (b), we would like to see more information on the extent of documentation required in connection with the review of component auditor workpapers, specifically when the component auditors are from different firms than the group auditor. We would also like to see addressed documentation considerations when component audits are conducted in a different language than the group audit.



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

Response: No additional matters noted.

REQUEST FOR GENERAL COMMENTS

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

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

Response: In response to 13. (b), we agree that the effective period for implementation of the final ISA is sufficient.

The Committee appreciates the opportunity to express its opinion on this matter. We would be pleased to discuss our comments in greater detail if requested.

Genevra D. Knight, CPA

Chair, Audit and Assurance Services Committee

Michael Ploskonka, CPA

Vice Chair, Audit and Assurance Services Committee



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APPENDIX A

AUDIT AND ASSURANCE SERVICES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2020 – 2021

The Audit and Assurance Services Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members. The Committee seeks representation from members within industry, education, and public practice. These members have Committee service ranging from newly appointed to almost 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of audit and attestation standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of audit and attestation standards. The Subcommittee develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

National:

Todd Briggs, CPA	RSM US LLP
Scott Cosentine, CPA	Ashland Partners & Company LLP
Timothy Delany, CPA	RSM US LLP
Jennifer E. Deloy, CPA	Marcum LLP
James J. Gerace, CPA	BDO USA, LLP
Michael R. Hartley, CPA	Crowe LLP
James R. Javorcic, CPA	Mayer Hoffman McCann P.C.
Huong Nguyen, CPA	PricewaterhouseCoopers LLP
Amber Sarb, CPA	RSM US LLP
Vishal Shah, CPA	Deloitte LLP
Elizabeth J. Sloan, CPA	Grant Thornton LLP
Richard D. Spiegel, CPA	Wipfli LLP
Timothy Van Cott, CPA	Sikich LLP
Meredith Vogel, CPA	Grant Thornton LLP

Regional:

Emily Hoaglund, CPA	CDH, P.C.
Genevra D. Knight, CPA	Porte Brown LLC
Michael Ploskonka, CPA	Selden Fox, Ltd.

Local:



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Arthur Gunn, CPA
Lorena C. Johnson, CPA
Mary Laidman, CPA
Carmen F. Mugnolo, CPA
Jodi Seelye, CPA

Arthur S. Gunn, Ltd.
CJBS LLC
DiGiovine, Hnilo, Jordan & Johnson, Ltd.
Mugnolo & Associates, Ltd.
Mueller & Company LLP

Industry/Consulting:

Sean Kruskol, CPA

Cornerstone Research

Educators:

Meghann Cefaratti, PhD

Northern Illinois University

Staff Representative:

Heather Lindquist, CPA

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