

30 September 2020

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

Re: Invitation to Comment: Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges in Applying the ISAs

Dear Mr. Botha

Nexia International supports the IAASB in its efforts to ensure that the ISAs continue to provide a foundation for high-quality global audits, in particular the Exposure Draft, ISA 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) more robust requirements and enhanced guidance.

Nexia International requested its member firms to provide comments on the ED and some members have provided these as summarised in the below appendix.

Please feel free to contact me if you have any comments or queries.

Yours sincerely,



Mohammed Yaqoob

Audit Director

APPENDIX OF NEXIA INTERNATIONAL MEMBER FIRM COMMENTS ON PROPOSED INTERNATIONAL STANDARD ON AUDITING 600 (REVISED): SPECIAL CONSIDERATIONS -- AUDITS OF GROUP FINANCIAL STATEMENTS (INCLUDING THE WORK OF COMPONENT AUDITORS)

1. AUSTRALIA/NEW ZEALAND

It was nearly impossible to work out from the ED what is changing from the existing IAS 600. After some digging, we did manage to find a marked-up version of ISA 600 which made it much easier to focus in on the specific changes.

We do not have any significant concerns with the specific request for comment questions in the ED.

A couple of other general comments:

Q6 – The definition of a component is changed from "An entity or business unit for which financial information is separately prepared" to "A location, function or activity (or combination of locations, functions or activities) determined by the group engagement team for purposes of planning and performing audit procedures in a group audit". The new definition may be more conceptually pure, but we are not sure this practically makes it any better. What if we draw a line around a component but there isn't separately prepared financial information?

That said, the new definition would clearly capture situations where we ask an interstate Nexia firm to perform local stocktake procedures on inventory which is owned by our audit client. In that case, prima facie the documentation and other requirements between us the other Nexia office firm doing the stocktake look onerous. So, it is important that the IAASB is encouraged to use language that enables the requirements to be scalable.

We are supportive of including new separate subsections within each section to identify specific "Considerations When Component Auditors Are Involved".

We suggest the amendments to paras A26-A27 relating to restrictions on access to information or people ("the firm may communicate with regulators, listing authorities, or others, about the restrictions (e.g., the group engagement team's firm may ask a listing authority for a different filing date) and encourage group management to communicate with regulators) are not particularly helpful.

Same goes for para 51 – 'If the work of the component auditor is insufficient, the group engagement team shall determine what additional audit procedures are to be performed'. However, having determined what additional procedures are necessary, it is missing the next step and what if the component auditor is unable/unwilling to do them?

We are just suggesting the requirements link better to other ISAs. It may be more helpful for the standard to describe (or x ref to) the implications of these matters on the auditor's report, or what the auditor can practically do to resolve those matters.

2. CANADA

We note that the ED makes no mention of language issues. Often a component auditor's working papers are in their local language which is different from the group engagement team's local language. In such a case:

1. *We can presume that the group engagement team would require sufficient proficiency in the language to satisfy themselves that sufficient and appropriate audit evidence exists for the component.*
2. *Is it the position that any of the foreign language working papers would be required to be translated to the group engagement team's local language? We have had instances where the regulator suggested that such translated working papers are required, rather than relying on documentation in the group engagement team working papers that summarize their review on the foreign language working papers. We view such requirements as draconian, and inconsistent with the spirit of the ISA 600 exposure draft's position on the role of professional judgment. Accordingly, definitive guidance on this issue would be helpful.*
3. *Also, we note that there is no consideration for either:*
 - a) *Guidance on stratification of significant vs non-significant components. This would potentially include analytic procedures for the non-significant components and selection/rotation of audits on the aggregated non-significant components; and*
 - b) *Guidance on audit of equity investments as these are one-line consolidations with significant disclosures. This would potentially include considerations of component materiality and relationship to ownership percentage, and potential issues related to ISA 600.42 where other auditors are engaged to audit, or have completed the audit of, the equity investment entity.*
4. *The ED is abundantly clear that the group engagement partner is responsible for the group audit if that was their intent.*

3. GERMANY

We would like to address our concerns re the proposed standard on group audit (ISA 600) which, together with ISA 220 revised, pursues a one engagement team concept and a top-down approach. The emphasis of this approach has significant impact on market concentration both under current and future regulations in the EC.

Under current law there are already a variety of constellations in which a so-called "shared audit with an auditor from another network is caused or at least encouraged by existing EU regulation. These include the following constellations in particular:

- (1) *PIE/CRR-PIE: Due to the different rotation periods, in practice (e.g. Siemens) the possibility is used to appoint another auditor after ten years only for the Financial Services Group.*
- (2) *PIE outside EU/EU-PIE: In these cases, too, there is a need in practice to restrict the legally required change of auditor to the EU area (example Goldman Sachs).*
- (3) *Non-PIE/CRR-PIE: Quite a few large SMEs are subject to EU requirements only with their banking activities. In this constellation, the fee limit for consulting services at the level of the parent company, which would otherwise have to be observed, often plays an additional role.*

(4) *Mandate constellations within the group due to different PIE definitions and rotation periods within the EU (including Belgium, Italy, Poland, Portugal) as well as appointment periods of several years may also require the use of several audit firms.*

This enumeration of the cases of different auditors at the Group Auditor and Component Auditor level caused by EU regulation makes it clear that the public policy perspective on the ISA 600 standard is already of considerable importance on the basis of the current regulatory environment. In these mandate constellations, the auditor at component level does not necessarily come from the circle of small and medium-sized audit firms. In our view, the approach adopted by the IAASB (one engagement team concept, overemphasis on the top-down approach) is therefore counterproductive to the needs already existing in practice to deal with the existing EU regulation.

Furthermore, it is not unlikely that as a result of the audit reform on both sides of the Channel joint and/or audit will find greater application in future, both in the UK and the EC. The IAASB should therefore carefully reconsider whether the approach chosen in ISA 600 is not contradictory to other regulatory developments of significant importance.

4. HONG KONG

We set out below my comments on the ED600 (Revised):

a) *General comments*

- *The ED600 (Revised) has not changed the fundamental substance of the extant ISA 600, i.e. requiring the group auditor to obtain sufficient and appropriate evidence in a group audit.*
- *Whilst the ED600 (Revised) is an enhancement of the extant ISA 600, it would be helpful if IAASB can provide a summary as to the additional procedures that the group engagement partner/team need to perform on top of those as required under the extant ISA 600.*
- *The ED600 (Revised) has extended the roles and responsibilities of the group engagement partner which, as a result, appear too onerous for the group engagement partner.*

b) *Linkage with other standards - The ED600 (Revised) has further clarified the roles and responsibilities of a group engagement team/partner by linking the standard with other ISAs, and as a result:*

- *The extended linkages with other ISAs may have broaden the scope of the standard, and also widen the group engagement partner's roles and responsibilities; and*
- *The extended, stricter and explicit description on the roles and responsibilities has removed the flexibility in the extant ISA 600 and will expose the group engagement partner to a higher risk in case of deficiency.*

c) *ISA 600 series*

- *The ISA 600 series were originally intended to cover circumstances requiring the use of other's work in an audit of financial statements e.g. ISA 610 covers using the work of internal auditors, ISA 620 covers using the work of an auditor's expert.*

- However, the ED600 (Revised) has gone beyond "using the work of a component auditor". Instead, it reinforces the group engagement team's involvement in the work of a component auditor.

d) *Component materiality*

- The ED600 (Revised) has removed the definition of "component materiality" but commented that "component performance materiality" being used as the materiality amount in planning and performing audit procedures on the disaggregated financial information of a component for purposes of the group audit.

- In the absence of a component materiality, it would be uncertain how a component auditor will report the work to a group auditor based on the performance materiality. It would be helpful to provide some guidance on the reporting by the component auditors to the group auditor.

e) *Non-controlled entities, Investment carried at cost*

- According to paragraph 14 of ED600 (Revised) Explanatory Memorandum (EM), the scope of ED600 (Revised) includes "non-controlled entities, including equity-accounted investees and investments carried at cost".

- In ED600(Revised) paragraph 11(a), "consolidation process" refers to recognition and measurement by way of "consolidation, proportionate consolidation, or equity methods of accounting".

- It appears that there is misalignment on "investments carried at cost" between EM paragraph 14 and ED600 (Revised) paragraph 11(a).

f) *Communication restrictions on access to information or people*

- According to ED600 (Revised) paragraph A30, when the group engagement team cannot overcome restrictions on access to information/people, the group engagement team may communicate about the restrictions to the group engagement team's firm, regulators, listing authorities or "others".

- The "others" in A30 is ambiguous and may be too broad for the group auditor to determine who "others" would be.

g) *Responsibilities of assessing the competency of a component auditor*

In case if the component auditor is in the same regulatory regime or following the same standards with the group auditor, it should allow the group audit engagement team to place sufficient reliance on their works and correspondingly also reduce the assessment of their competency.

h) *Application of scalability*

More guidance as how to apply scalability will be helpful.

5. JAPAN

a) Clarification of component auditor's responsibilities

- In this ED, group engagement team's responsibilities are strongly emphasized and this might lead to a misunderstanding that responsibilities of component auditors have been reduced compared to the current ISA600.

- (ISAED600. A78) - In the process of identification and assessment of material misstatement in group financial statements, in addition to the description of group engagement team's responsibilities, there should be a practical guidance which shows how a component auditor should identify and assess the risk based on their audit procedures.

- (ISAED600. 49) - A group engagement team required to evaluate whether sufficient appropriate audit evidence has been obtained from the audit procedures performed, including with respect to the work performed by component auditors, on which to base the group audit opinion. However, we are concerned if this is practically doable. It is not clear to what extent the group engagement team should obtain and evaluate the audit evidence.

b) Use of significant component concept

- We think that it is extremely difficult for a group engagement team to complete risk evaluation procedures solely by themselves. A group engagement team needs involvement of component auditors who have more knowledge on the business environments of a component.

Therefore, the approach in current ISA 600 that a group engagement team identify significant components and use component auditors for the audit of the significant components is reasonable. By this approach, sufficient audit resources can be devoted in high-risk area.

6. SINGAPORE

Our comments are summarised in the below table:

No.	Question	Proposed Response
1	<p>With respect to the linkages to other standards:</p> <p>(a) Does ED-600 have appropriate linkages to other ISAs and with the proposed ISQMs?</p> <p>(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</p>	<p>(a) No comment.</p> <p>(b) ISA 600 does not specifically address or provide guidance on cross border audit arrangement where the main operations and accounting records of the Group and Group audit is carried out in another jurisdiction. In such scenario, it is common for another auditor to perform the group audit and issue audit clearance to the auditors of the holding entity for the latter to place reliance on the work of the former and issue an audit report for the group to</p>

	<i>believe have not been addressed in ED-600?</i>	<p><i>meet the local statutory/regulatory requirements.</i></p> <p><i>It will be useful for ED-600 to address the roles and responsibilities of the auditors for the performing and signing offices.</i></p>
2	<i>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?</i>	<p><i>We support the placement of sub-sections throughout ED-600 that highlight the requirements when component auditors are involved.</i></p> <p><i>Having such "markers" would enhance ease of reading and allow the reader to quickly note which requirements relate to component auditors. This would increase efficiency, especially when the Firm is drawing up its Group Audit Instructions for component auditors</i></p>
3	<i>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?</i>	NA
4	<i>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).</i>	<p><i>We support the definition of group financial statements, including the linkage to a consolidation process for the following reasons:</i></p> <ul style="list-style-type: none"> <i>- The eventual group audit opinion would be based on group financial statements which are, by and large, the outcome of a consolidation process. We also support the clarification in A17 which clarifies that when there's only branches and divisions, then technically no consolidation is done and hence no group opinion is rendered. Accordingly, ISA 600 will not apply.</i> <i>- This broader definition allows greater flexibility for the group auditors to determine how the components within the Group should be "formed", instead of being confined to just looking at "one legal entity, one component" perspective.</i>
5	<i>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</i>	NA.

	<i>not, what suggestions do you have for improving the scalability of the standard?</i>	
6	<i>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?</i>	<i>We support the new definition, as it would help reduce confusion and thus enhance consistency in practice.</i>
7	<i>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?</i>	<p><i>With the Covid-19 pandemic, there are restrictions in physical access to documents and travel restrictions, which leads to increased restrictions on access to information and people. In practice, auditors are working on overcoming these physical restrictions through digital technology.</i></p> <p><i>Against this backdrop, it would be helpful if ISA 600 can provide more guidance on the extent of reliance on audit evidence provided from remote via the use of technology, as well as the documentation requirement for such audit evidence gathered, to ensure that audit quality is not compromised during the use of digital technology to perform audit.</i></p>
8	<p><i>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?</i></p> <p><i>(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?</i></p> <p><i>(c) What practical challenges may arise in implementing the risk-based approach?</i></p>	<p><i>Our comments as follows:</i></p> <p><i>(a) From the group engagement team perspective, the respective responsibilities of the group engagement team and component auditors seem clear, since the ED provides more guidance than the extant ISA 600. Having the component auditors' involvement in the design and performance of responses to assessed risk could lead to better identification of risks and the responses to risks (since component auditors will inevitable, have better local knowledge and interactions with local/component management.</i></p> <p><i>(b) The clarification in terminology relating to responsibilities relating to group engagement partner, group engagement team and component team are very useful in addressing what was previously a big area of ambiguity.</i></p> <p><i>c) Some practical challenges which may arise include:</i></p>

		<p>- Collaboration from group management since group engagement team may require more involvement from them</p> <p>- Level of control at head office level. It may be difficult to secure the co-operation of component management, and even if there's good co-operation, the process could take a lot longer so there may be concerns on meeting the regulatory deadline for each jurisdiction.</p>
9	<p>Do you support the additional application material on the commonality of controls and centralized activities, and is this application material clear and appropriate?</p>	<p>Support adding the application materials, as from the group context, it is widespread for there to be common controls and centralised activities.</p>
10	<p>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?</p>	<p>Support given that the additional application material in para A75 of ED 600 gives greater clarity and hence facilitate consistency in application.</p>
11	<p>Do you support the enhanced requirements and application material on documentation, including the linkage to the requirements of ISA 230? In particular:</p> <p>(a) Are there specific matters that you believe should be documented other than those described in paragraph 57 of ED-600?</p> <p>(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?</p>	<p>(a) Other matters that guidance should be provided on documentation include:</p> <ol style="list-style-type: none"> i. ISA 600 does not specifically address cross border audit arrangement when there are no components but the books and records of the entity are kept and audited by another auditor oversea and audit report is signed by a local public accountant (ie cross border performing office and signing office arrangement) ii. ISA 600 should provide specific guidance on the use of technology and documentation standards for review of component auditors' work papers via virtual and technological software. iii. ISA 600 should provide guidance on the extent of documentation required by the Group Auditors when the components apply data analytics in their audit iv. Are there any difference in the responsibilities of the group

		<p><i>auditors when there is joint audit sign off by the Group Auditors.</i></p> <p><i>(b) Agree. The application falls back on ISA 230 Documentation since it indicates that "The group engagement team uses professional judgment in determining the nature and extent of such documentation to include in the group engagement team's audit file, in view of the requirements of ISA 230."</i></p>
12	<p><i>Are there any other matters you would like to raise in relation to ED-600?</i></p>	<p><i>There could be more guidance on the deliverables (including ISQC/ ISA and other local regulatory requirements) of the component auditor to the group engagement team.</i></p>
13	<p><i>The IAASB is also seeking comments on the matters set out below:</i></p> <p><i>(a) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-600.</i></p> <p><i>(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.</i></p>	<p><i>No comment.</i></p>

7. SOUTH AFRICA

Question

- 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

Paragraph numbers	Response
ISA 600: Paragraphs 1, 12, 15, 18, 20, 21, 23, 24, 27, 28, 29, 31, 33, 47, 49, 53, 56 and 57.	<p>a) Yes, linkages to other standards seem appropriate, except for matter described in (b) below.</p> <p>b) Recommendation: more detail / linkage to be provided for requirement as per ISQM 1 par 37(f) in respect of assembly of documentation. This is specifically for where documentation for consolidated amounts are retained in engagement files of components.</p>

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?**

Response

Paragraph numbers	Response
Paragraphs 18, 19, 25, 26, 27, 28, 30, 32, 37, 38, 39, 40, 41, 48 and 51.	Yes, placement of sub-sections helps to clarify the interactions and responsibilities between group engagement team and component auditor.

Question

- 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:

Paragraph numbers	Response
Paragraphs 4, 5, 13, 23, 44, 45, 46, 49, 50 and 51.	Yes, professional skepticism is appropriately addressed.

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).

Response

Yes, scope and applicability is clear in terms of the definition of a group and component. The fact that a consolidation process must be involved also assists in identifying when the standard should apply.

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?

Response

It may be complicated or even impossible to apply some of the requirements to "small entities" that present group accounts.

Recommendation: To include a section on "Audits of Group Financial Statements" in the IFAC Guide to Using ISAs in the Audits of Small and Medium-Sized Entities.

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?

Response

Revised definition	Previous definition
Component – A location, function or activity (or combination of locations, functions or activities) determined by the group engagement team for	Component – An entity or business activity for which group or component management prepares financial

Revised definition	Previous definition
purposes of planning and performing audit procedures in a group audit.	information that should be included in the group financial statements.
Response	
<p>The definition is not clear as to which locations, functions or activities should be considered by the group engagement team.</p> <p>Recommendation: more detail to be provided that would assist the group engagement team in applying their professional judgment in identifying components for which audit procedures will have to be performed due to their location, function or activities, for example whether it is of significance to the group, likely to include significant risks of material misstatement of the group financial statements, etc.</p>	

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?

Response

Par No	Paragraph details	Response
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.	Yes, agree that it addressed the matter of restrictions. Recommendation: One of the steps to highlight should be to consider whether the financial statement item that was subjected to the service is material to the group financial statements.

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? 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

- a) Yes, agree that the responsibilities are clear and appropriate.
- b) Yes, agree that interactions are clearly set out, including involvement of group engagement team.
- c) The practical challenge comes in with the application of IFRS 10 for consolidation, where the definition of "**control**" is applied to determine whether an entity should be consolidated. Control may be established without the "parent" having majority ownership of the entity being consolidated. This may pose challenges, especially where such an entity is not required to be audited under the local laws and regulations.

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?

Response

Paragraph numbers	Response
Paragraphs A59 to A 65	Yes, the additional material is clear.

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?

Response

Par No	Paragraph details	Response
29, 30	<p>In applying ISA 320 and ISA 450, when classes of transactions, account balances or disclosures in the group financial statements are disaggregated across components, for purposes of planning and performing audit procedures, the group engagement team shall determine: (a) Component performance materiality. To address aggregation risk, such amount shall be lower than group performance materiality. (b) The threshold above which misstatements identified in component financial information are to be communicated to the group engagement team. Such threshold shall not exceed the amount regarded as clearly trivial to the group financial statements.</p> <p>The group engagement team shall communicate to the component auditor the amounts determined in accordance with paragraph 29.</p>	Yes, in support of this revision.

Question

- 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

There is no specific requirement regarding the level of documentation regarding the component / component auditor to be included on a group engagement file.

Recommendation: more detail / linkage to be provided for requirement as per ISQM 1 par 37(f) in respect of assembly of documentation. This is specifically for where documentation for consolidated amounts are retained in engagement files of components.

Question

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

Response

None identified at this stage.

8. United Kingdom 1

Question 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?*

An area of concern is how the definition of "engagement team" in proposed ISA 220 (Revised) will be applied in the context of a group audit.

ED-600.9(j) implies that component auditors are not part of the group engagement team, which accords with how we understand a group audit to work.

However, ED-600.9(c) says "A component auditor is a part of the engagement team."

The vast majority of ED-600's requirements apply to the group engagement team only, but there are a few requirements for the "engagement team" as a whole (eg to apply professional scepticism). It would make sense if the intention is for "engagement team" to mean "group auditors and component auditors" in the context of ED-600, but if this is so a different phrase needs to be found.

If this is not so, we do not understand how ED-600.9(c) interacts with the requirement in paragraph 4 of proposed ISA 220 (Revised):

"The engagement team, led by the engagement partner, is responsible, within the context of the firm's system of quality management and through complying with the requirements of this ISA, for:

(a) Implementing the firm's responses to quality risks (i.e., the firm's policies or procedures) that are applicable to the audit engagement using information communicated by, or obtained from, the firm; (Ref: Para. A5–A8)

(b) Given the nature and circumstances of the audit engagement, determining whether to design and implement responses beyond those set forth in the firm's policies or procedures; and (Ref: Para. A9–A10)

(c) Providing the firm with information from the audit engagement to support the design, implementation, and operation of the firm's system of quality management that is required to be communicated in accordance with the firm's policies or procedures. (Ref: Para. A11)"

This does not work in the context of a group audit, because there is no single engagement team in this sense. There would be significant practical challenges for group engagement partners wishing to comply with their responsibilities under proposed ISA 220 (Revised) regarding engagement resources and direction, and supervision and review of the component auditors' work. This is especially so because paragraphs 25, 29 and 30 of proposed ISA 220 (Revised) prevent the group engagement partner from assigning certain of those responsibilities to others.

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?

Yes, we support this.

Question 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? In our view, there are already sufficient written requirements in ISAs regarding the need to exercise professional scepticism. Simply repeating similar words in different places is unlikely to make a practical difference.

The IAASB could help by considering further guidance on potential trigger points regarding scepticism which are specific to group audits. Furthermore, it should also consider leveraging the International Accounting Education Standards Board membership to consider how professional scepticism can be better taught, as it is a behaviour which must be learned.

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).

Yes, the scope and applicability of ED-600 is generally clear. More clarity could be given on scenarios such as letterbox audits.

We would encourage IAASB to think about developing a new category of non-authoritative guidance, which might include examples or FAQs, targeted at different types of firm or engagement to support the application of standards and aid scalability.

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?

Yes.

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?

We do not believe that the revised definition will make a significant difference for our group audits, as the group engagement team's view of the structure of the business is unlikely to be very different from management's.

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?

Restrictions on access are not something that auditing standards can solve. In our view, ED-600 provides sufficient guidance on how to address and overcome restrictions in relation to access to people or information at components.

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? 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?

It is hard to object to the principle that a group audit should be conducted using a risk-based approach. It should help to ensure that the group engagement team focuses its work effort appropriately on the riskier areas.

However, for our group audits, it seems inevitable that ED-600 will make the process longer, particularly in relation to the risk assessment, without changing the overall outcome in terms of risks identified and work done by the group engagement team and component auditors.

This will have a negative effect on audit quality, as it is unlikely that the client will be prepared to pay for the extra time involved.

We have concerns that the revised definition of "component", the focus on account balances, transactions and disclosures across the group, and the change in approach to using component auditors could lead to risks being missed in the risk assessment (for example in relation to related parties, fraud and non-compliance with laws and regulations at a local level) or local risks identified not being appropriately assessed. This is less likely to be the case under the current standard, which requires a minimum level of local risk assessment. It would be helpful to emphasise that, in making their risk assessment, the group engagement team must ensure that it is based on sufficient local knowledge.

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?

We believe that the application material should make a clearer distinction between "commonality of controls" and "centralised activities". More guidance on the factors to consider, and some examples, would be helpful. Also, whilst the application material addresses the common controls operating across the group, it doesn't clearly address the controls at the group level that might be applied across the group. There is also a lack of guidance on the extent to which reliance may be placed on these controls and how much evidence is needed on the effectiveness of their operation, particularly in relation to management review controls.

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?

Yes, we support this, as component performance materiality can be a challenging area. It would be helpful to provide worked examples or other guidance to illustrate how the requirements of ISA 320 are applied in the context of a group audit. It would also be helpful to emphasise the importance of professional judgement when determining materiality (ie that materiality is not simply a percentage of a benchmark, but is determined by considering the specific circumstances of the group and user expectations).

Question 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?

Yes, we support these.

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

We have no further comments.

Request for General Comments

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

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

(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.

Given that this is a substantive revision, following major changes to a number of other standards, it is vital that we are given sufficient time to understand the changes and revise our methodology accordingly.

We understand that IAASB may be considering an implementation date of audits of periods beginning on or after 15 June or December 2023. We believe that it should be no earlier than periods beginning on or after 15 December 2023.

9. United Kingdom 2

1.

a) ED-600 does not have appropriate linkages to other ISAs particularly in relation to the risk – based approach and the "stand-back" approach which is consistent with changes made to ISA (UK) 570. Going concern although this could be articulated more clearly within this standard itself. This message is hidden within the words of paragraphs 49 to 51 when it could just be explicitly stated. However, the number of consequential amendments to other standards seem to be numerous and this is off-putting. There is also some duplication for example, paragraph 15 appears to repeat the requirements of ISA 210 and it is unclear why this is necessary and why this has been brought into the standard.

b) ED-600 does not address the special considerations in a group audit. Networks of audit firms are only briefly covered in the standard in respect of specific matters but more guidance on the impact of belonging to a network and how this feeds into the risk assessment and the reliance on component auditors would be helpful.
2.

Yes – it is helpful to distinguish the sections to highlight particular issues arising where component auditors are involved.
3.

See above – the stand back requirement could be more explicitly stated.
4.

In paragraph 8 d why is the objective only to assess "whether" sufficient appropriate audit evidence has been obtained as opposed to "obtaining" sufficient appropriate audit evidence. If sufficient audit evidence has not been obtained then alternative procedures may still be performed in order to form an opinion. The standard also does not take into account the changing regulatory regime in the UK which may require there to be "joint auditors". It is unclear in the scope how a joint audit would fit into the definitions of engagement partner and group engagement team.
5.

The ED-600 appears to be scalable to audits of differing complexities and size including those which do not involve component auditors.
6.

No comments
7.

The requirements in paragraph 20 relating to independence considerations are particularly important given the divergence of Ethical Standards and it is necessary for component auditors to understand the Ethical Requirements that are relevant to the group audit. It is helpful that this issue is further addressed in paragraph 42 where the group engagement team relies on work performed for another purposes. In the UK it may be necessary to consider the references to the IESBA Code of Ethics in paragraph A39 compared to the same provisions under the FRC's revised Ethical Standard 2019. Is it necessary to refer directly to the IESBA code on this matter? The guidance on overcoming restrictions on access to information and people is helpful. From a smaller audit firm perspective, it may often be more difficult to overcome such restrictions on the release of work papers outside of

network firms which can therefore be prohibitive in allowing smaller firms access to cross-border groups.

8. *The risk-based approach to the standard is consistent with the approach taken across other auditing standards. There must be acknowledgement from regulators, however, that in taking this approach different firms could potentially arrive at alternative audit approaches when considering the same group. In the UK specific guidance has been issued by the regulator (FRC) which made it clear the extent to which audit workpapers should be obtained and/or reviewed by group audit teams depending upon whether a component was considered to be significant or not significant. This led to a straightforward approach to evidence expected to be on files relating to component work. Additional clarity over this area was clearly required in respect of the existing ISA 600 in the UK and this could have been overcome however ED-600 does not provide such clarity. In practice this will be difficult to apply and, in our opinion, will lead to a divergence in practice in terms of whether component work is reviewed or not without additional guidance.*

9-11. *No comments*

12. *Paragraph 21 b appears to have been elevated from the application guidance to the main standard. Does this mean that information about monitoring and remediation and external inspections should be requested for all component auditors? This information is not publicly available for all audit firms in the UK and is not routinely requested either of component auditors outside of the UK or where UK auditors are acting as component auditors. Can this be clarified?*

General comments

13 a. *See comments above on application in the UK in particular in relation to the changes to the UK audit market e.g. joint audits.*

13 b. *An 18-month implementation date would be difficult to achieve in the UK given the number of other considerations and the changes taking place in the UK audit market. To translate this for use in the UK could take longer than this and would not then leave sufficient time for audit firms to appropriately respond to the changes.*

10. United states 1

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?

For the most part, we believe there is sufficient linkage to other standards. However, per ISA 220:

"The engagement team, led by the engagement partner, is responsible, within the context of the firm's system of quality management and through complying with the requirements of this ISA, for:

(a) Implementing the firm's responses to quality risks (i.e., the firm's policies or procedures) that are applicable to the audit engagement using information communicated by, or obtained from, the firm; (Ref: Para. A5–A8)

(b) Given the nature and circumstances of the audit engagement, determining whether to design and implement responses beyond those set forth in the firm's policies or procedures; and (Ref: Para. A9–A10)

(c) Providing the firm with information from the audit engagement to support the design, implementation, and operation of the firm's system of quality management that is required to be communicated in accordance with the firm's policies or procedures. (Ref: Para. A11)"

How should the definition of "engagement team" in proposed ISA 220 (Revised) be applied in the context of a group audit? Since ED-600.9(j) implies that component auditors are part of the engagement team, therefore, there is concern over the engagement partner being solely responsible for another firm's quality management. In practice, a component auditor may not necessarily be a member of a network firm and subject to same quality management standards.

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?

Yes, we support this.

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? Specific Questions

It is apparent that professional skepticism is necessary in relation to an audit of group financial statements.

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).

Yes, for the most part, the scope and applicability of ED-600 is clear.

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?

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?

This revision does create clarity and we also believe that this will alleviate confusion when the same firm is both the group auditor and the component auditor.

7. With respect to the acceptance and continuance of group audit engagements, do you support the enhancements to the requirements and application material and, in particular, whether ED-600 appropriately addresses restrictions on access to information and people and ways in which the group engagement team can overcome such restrictions?

We believe that the laws within various jurisdictions will generally take precedent over this standard, therefore while we believe the enhancements are helpful, other considerations will be taken into account in practice.

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?

As in any audit, we believe planning and risk assessment are imperative. Therefore using a risk-based approach seems to be the best answer. However, when we consider cross border audits we believe the process will be more complicated and harder to organize from the group engagement team perspective. Rather than simply instructing the component auditor to perform an “audit” of the component, more thoughtful instructions and process must be created in a way that directs the component audit to perform work that is necessary needed to support the group engagement team. Although this is the right answer, we believe in practice it will be harder to organize. But this method will ensure that the group engagement team prepares the correct risk assessment.

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

Should paragraph A17 be deleted? Seems to be confusing and conflicting.

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?

Yes. It would be helpful to provide worked examples or other guidance to illustrate how the requirements of ISA 320 are applied in the context of a group audit. It would also be helpful to emphasize the importance of professional judgement when determining materiality.

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?

Yes. We support these, however we also refer to our answer in question 7 above.

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

ED-600 seems to imply that the group engagement team should communicate with governance with the component auditor is not performing at the expected level (ED-600.56(b)). We believe that in practice, this communication should happen between the group engagement team and component auditor. It appears to be awkward otherwise and highlights division within the engagement team (also see response to question 1 above regarding definition of engagement team).

13. The IAASB is also seeking comments on the matters set out below: (a) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-600. (b) Effective Date—Recognizing that ED-600 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of a final ISA. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.

We believe that the group audit standard is a supplement to all other audit standards. Meaning that due to the major changes to a number of other standards, it may be necessary to fully understand those changes first, as the group audit standards will simply layer additional procedures and direction to the engagement team. We suggest that an effective date for periods beginning after December 15, 2023.

11. United States 2

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?*

We believe ED-600 has 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?*

We believe 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). At this time, we do not note any other special considerations for a group audit that you believe have not been addressed in ED-600.

2. *With respect to the structure of the standard, do you support the placement of sub-sections throughout ED-600 that highlight the requirements when component auditors are involved?*

We support the placement of sub-sections throughout ED-600 that highlight the requirements when component auditors are involved. We believe this will be helpful to auditors and further reinforce the fact that ED-600 also applies even though a component auditor may not be involved.

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? While we do believe the requirements and application material of ED-600 appropriately reinforce the exercise of professional skepticism in relation to an audit of group financial statements, we encourage the concept of professional skepticism be expanded upon. Specifically, we encourage the IAASB to look to the recently issued AICPA Auditing Standards Board Statement on Auditing Standards 142, Audit Evidence and paragraphs A17, A30, A31, A37, A38, A60, and A63. These paragraphs describe ways in which the auditor can maintain professional skepticism. We believe auditors may benefit from a similar number of examples of professional skepticism focused on group audits.

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).

While we believe the scope and applicability of ED-600 is clear, to address the misperception that the concept of a group audit only applies when another independent auditor is involved, that the name of the standard be renamed to the following: Special Considerations—Audits of Group Financial Statements (Including When One Auditor Audits the Whole Consolidation).

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?

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

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?

We 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. We believe this approach will be more functional than what exists in extant ISA 600 and help auditors more directly focus on risks of material misstatement.

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?

With respect to the acceptance and continuance of group audit engagements, we support the enhancements to the requirements and application material. While ED-600 cannot be expected to anticipate every situation, we believe ED-600 appropriately addresses various restrictions on access to information and people and ways in which the group engagement team can overcome such restrictions.

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?

The respective responsibilities of the group engagement team and component auditors appear to be clear and appropriate.

(b) Whether the interactions between the group engagement team and component auditors throughout the different phases of the group audit are clear and appropriate, including sufficient involvement of the group engagement partner and group engagement team?

The interactions between the group engagement team and component auditors throughout the different phases of the group audit are clear and appropriate.

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

Overall, we are supportive of a risk-based approach and believe it is consistent with ISA-315 and other relevant standards. We believe in some circumstances, in part due to the confusion in extant ISA 600, practitioners may not properly implement ED-600. We recommend extensive implementation guidance be developed and released in advance of the effective date.

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

Overall, we do support the additional application material on the commonality of controls and centralized activities. In a number of circumstances, we believe this application guidance may

aid auditors in what can be a difficult audit area, particularly in a multi-component environment.

10. Do you support the focus in ED-600 on component performance materiality, including the additional application material that has been included on aggregation risk and factors to consider in determining component performance materiality?

We support the focus in ED-600 on component performance materiality, including the additional application material included on aggregation risk and factors to consider in determining component performance materiality. We are supportive of a principles-based approach to component materiality.

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?

At this time, we do not note any specific matters that you believe should be documented other than those described in paragraph 57.

(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?

At this time, we do not object to the proposed 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.

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

We have the following matters we wanted to raise:

- We believe the application guidance on aggregation risk may be expanded to include examples as indicated below:
A11 Aggregation risk exists in all audits of financial statements, but is particularly important to understand and address in a group audit engagement because there is a greater likelihood that audit procedures will be performed on classes of transactions, account balances or disclosures that are disaggregated across components. For example, (1) procedures may be performed at such a global level so as not to notice smaller similar errors that may aggregate to an amount material to the group financial statements, or (2) procedures may be performed at such an extensive level of disaggregation that the auditor does not notice common elements that may be indicative of a larger misstatement at the group financial statements.*

- *We believe the IAASB should consider allowing for the group auditor the option to not assume responsibility for, and thus, accordingly make reference to, the audit of a component auditor in the auditor's report on the group financial statements. This is consistent with both AICPA AU-C 600 and PCAOB AS 1205. We do recognize that this may add complexity to the standard and potentially create confusion in practice. However, the benefits of the added flexibility may decrease costs and address complexities that may arise between international borders.*

- *We request the IAASB consider use of visual aids, such as flow charts, in ED-600 (and standard-setting overall). Such may help facilitate more clear and concise discussions amongst members of engagement teams, national office/professional practice functions, and auditees. Also, a flowchart on group audit requirements may help group auditors and component auditors in different countries more effectively communicate, particularly when there is a language difference.*

Request for General Comments

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

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

As we are a US-based firm operating substantially completely in English, we do not have visibility into the needs of other jurisdictions regarding translation.

(b) Effective Date—Recognizing that ED-600 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of a final ISA. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.

We believe the effective date would provide a sufficient period to support effective implementation of the ISA.