



Mexico City, October 1, 2020.

Mr. Thomas R. Seidenstein
Chairman
International Auditing and Assurance Standards Board - IAASB

Comment requested on the clarity, understandability and practicality of application of the requirements and related application material of ED-600.

Dear Mr. Seidenstein

The Mexican Institute of Public Accountants, “Instituto Mexicano de Contadores Públicos”, A.C. (IMCP), association founded in 1923, grouping 60 professional colleges and more than 24 thousand of public accountants associated in Mexico, is thankful about the opportunity to submit comments about ED-600.

The IMCP’s Audit and Assurance Standards Commission (CONAA) analyzed the Exposure Draft of proposed International Standard on Auditing (ISA) 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) (ED-600), which was approved for exposure by the IAASB in March 2020.

As requested in the ED- 600 Explanatory Memorandum Section 3 Request Comments, the IMCP prepared a document where the IMCP feedback is provided for the IAASB, for each of the proposed questions. Such document is attached to the present letter, as APPENDIX 1.

We are open to discuss, clarify or widen our comments in this letter per your request.

Very truly yours,

C.P.C. y Mtra. Diamantina Perales Flores
Chairman
Instituto Mexicano de Contadores Públicos, A.C.



Appendix 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?

Yes, ED-600 has established appropriate linkages to other ISAs and ISQM, especially to ISA 220 (Revised), ISA 315 (Revised) and ISA 330.

(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)?

Yes, ED-600 addresses special considerations in a group audit with respect to requirements and applications in ISA's, including ISA 220 (Revised)

Are there other special considerations for a group audit that you believe have not been addressed in ED-600?

No, we believe that ED-600 has substantially addressed group audit considerations.

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, the placement of subsections throughout the ED-600 makes a practical approach by following a step-by-step analysis that leads to comply with the requirements when component auditors are 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?

ED-600 appropriately address the exercise of professional skepticism in relation to a group audit, however, it would be helpful the development of an appendix or implementation guidance that specifically addresses examples of a group audit such as; a) mandatory rotation of the group audit engagement partner and component partners, and b) extension of random review of non-material components, c) risk assessment evaluation regarding a shared service center or treasury function, in a higher risk jurisdiction, d) Evaluating the findings both



individually and collectively, when considering whether there are indicators of potential management bias or fraud.

4. Is the scope and applicability of ED-600 clear?

Yes, we believe that the scope and applicability of ED-600 is clear.

In that regard, do you support the definition of group financial statements, including the linkage to a consolidation process?

Yes, we support the definition of group financial statement, 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).

N/A

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, it is scalable, but there are specific cases where the identification of a Group audit may not be so clear due to the separation of operations and assets in different legal entities, as is the case of Groups with a structure with an operating company, a service company, etc. This situation could be further developed as part of implementation guidance to provide examples of how the standard is or not applicable in the circumstances.

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?

Yes, the standard is clear in the definitions of component



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?

Yes, however, complex cases may arise (limited access/access restricted to certain working papers, etc.) that may not seem so, and legal advisory may be required in such cases

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?

Yes, it is clear

(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?

Yes

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

- Maintain proper communication and use of the language. Lack of communication by the component regarding qualitative risks not analyzed by the Group auditor
- Global diversification of the Group operations
- Change how quantitative and qualitative risks are identified (Country risk and internal regulation)
- How the Firm's audit methodology would be modified as well as training needed for all auditors involved in group audits. Also, technological resources may need to be aligned with the standard to comply with requirements and guidance



- How the fees are allocated to the components

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

Yes

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, however, certain responsibility should be assigned to the component auditor regarding whether the materiality assigned allows the practitioner to issue an audit report. For example, the materiality assigned may seem to be excessive at the component level where the component auditor practically does not carry out audit procedures or, in contrary, the materiality might appear to be low, therefore the component may be forced to perform audit procedures in excess (over-audit).

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 h 57 of ED-600?

No, the standard covers all the audit process according to ISA 230

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, please refer to answer to question 7

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

No additional matters



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.

There is no apparent issue to discuss. Mexico will take the translation of the official body responsible for this activity.

- (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 consider that most of the procedures are already of a general application, so the 18-month period is enough.