



**INTERNATIONAL FEDERATION  
OF ACCOUNTANTS**

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## Agenda Item

# 14

**Committee:** IAASB  
**Meeting Location:** New York  
**Meeting Date:** July 21-25, 2003

### Group Audits

#### Objectives of Agenda Item

1. To receive a report back on task force activities since the last IAASB meeting.
2. To discuss matters highlighted for consideration by the IAASB.

#### Task Force

The members of the task force are as follows:

Suresh Kana (Chair)  
John Fogarty  
Jan Bo Hansen  
Gen Ikegami  
Zhiguo Yang  
Ian Plaistowe

#### Background and Activities Since Last IAASB Discussions

The IAASB reviewed an exposure draft of the proposed revised ISA 600 “Considering the Work of Other Auditors” and conducted a first read of the proposed IAPS on “The Audit of Group Financial Statements” at the May 2003 meeting, and concluded that both documents should be revised (based on the IAASB’s comments and further deliberations by the task force) and submitted for approval as exposure drafts at the July 2003 IAASB meeting.

The task force met on June 24-25, 2003 in London to consider the IAASB’s comments and to further deliberate the documents. A summary of the outcome of the task force’s deliberations are provided below.

1. The task force confirmed the IAASB’s recommendations with regard to sole vs. division of responsibility. That is, the proposed revised ISA 600 should provide for sole and division of responsibility. The introduction to the ISA should refer to both alternatives, indicating that sole responsibility is the preferred alternative. Guidance on division of responsibility should be provided in a separate section at the end of the ISA.
2. The task force agreed that the approach adopted in the proposed revised ISA 600 should be changed. At present, the existing ISA 600 (and the proposed revised ISA 600 reviewed at

the May 2003 IAASB meeting) requires that, when group financial statements include financial information of components that are audited by other auditors, the group auditor should (has to) determine how the work of the other will affect the audit of the group financial statements. The task force believes that the decision as to whether to request an other auditor to perform work on a component's financial information is made at a later stage in the audit process, i.e. after the group auditor has conducted the group risk assessment, categorized the components and determined the scope of work to be performed on the components' financial information.

3. The task force confirmed the approach adopted in the proposed IAPS reviewed at the May 2003 IAASB meeting. However, the task force agreed that the proposed IAPS should be restructured and additional practical guidance provided. The IAPS should be a stand-alone document, incorporating guidance on the basic principles and essential procedures contained in the proposed revised ISA 600.
4. The task force agreed that the revision of ISA 320 "Audit Materiality" will impact the proposed guidance on group materiality. As a result, the guidance on group materiality should be limited to that included in the proposed IAPS reviewed at the May 2003 IAASB meeting.
5. The guidance on group-wide controls, categorization of the components based on the group risk assessment and the scope of work to be performed at components should be redrafted.

The above matters are further discussed in Agenda Item 14-A.

Based on the significance of the changes, the task force has concluded that it would not be able to submit the proposed exposure drafts for approval at the July 2003 meeting, but is planning to do so at the October 2003 IAASB meeting.

### **Timetable for Completion of Project**

A small drafting group worked on the documents in London on June 7-10, 2003 and task force meetings are scheduled to take place during the July 2003 IAASB meeting and on August 4-5, 2003 in London. Further telephone conferences will be held during August 2003.

A proposed revised project timetable is set out below.

Approval of proposed exposure drafts	October 2003
Comment date	January 31, 2004
Final review	April 2004
Approval of final proposed revised ISA 600 and new IAPS	June 2004

The task force is aware of the fact that the finalization of the documents is of importance to the EU and IOSCO, and plans to meet the June 2004 deadline for ISAs to be effective January 1, 2005.

The task force proposes that drafts of the proposed revised ISA 600 and IAPS are distributed for review and comment by the IAASB after the August 4-5, 2003 task force meeting. This will enable the task force to consider and process major comments received from the IAASB before distributing the proposed exposure drafts for review and approval at the October 2003 meeting.

**Material Presented**

Agenda Paper 14-A      Group Audits – Matters for Consideration by the IAASB  
(Pages 1105 – 1110)

Agenda Paper 14-B      Sole vs. Division of Responsibility – A Summary of National  
(Pages 1111 – 1115)      Practices

**Action Requested**

The IAASB is asked to consider the matters highlighted in Agenda Item 14-A.

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