

Supplement C to Agenda Item 5

RESPONSES RECEIVED ON THE INVITATION TO COMMENT (ITC) ENHANCING AUDIT QUALITY IN THE PUBLIC INTEREST

GROUP AUDITS

Note: This supplement has been prepared for information only. A comprehensive summary of the significant comments received on the December 2015 ITC, *Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits* and related analyses of significant issues are presented at the September 2016 IAASB meeting. All comment letters on the ITC can be accessed [here](#).

Please consider the environment before printing this supplement.

Table of Contents

General Comments	3
Question GA1(a)	19
Question GA1(b)	39
Question GA1(c)	50
Question GA1(d)	61
Question GA2(a)	72
Question GA2(b)(i)	93
Question GA2(b)(ii)	102
Question GA2(b)(iii)	110
Question GA3.....	117
Question GA4(a)	140

GROUP AUDITS

Question GA4(b)(i)	164
Question GA4(b)(ii)	172
Question GA5.....	180
Question GA6(a)	198
Question GA6(b)	211
Question GA7(a)	220
Question GA7(b)(i)	244
Question GA7(b)(ii)	255
Question GA7(b)(iii)	263
Question GA7(b)(iv)	271
Question GA8.....	278
Question GA9.....	299
Question GA10.....	308
Question GA11	316
Question GA12.....	323
Question GA13.....	330

Group Audits (General Comments)

#	Respondent	Comments
Investors and Analysts		
1.	CalPERS	--
2.	CalSTRS	--
3.	CFA	--
4.	IA	It is also helpful to investors when audit reports provide information about the nature and extent of the involvement of other auditors in group audits. Notwithstanding, it is important that the group engagement partner continues to assume overall responsibility for the audit. In this context, quality control in group audits needs to be managed more proactively at the group level. This should ensure that the direction, supervision and review of other auditors involved in the audit respond to the risks to audit quality. Such an approach would ensure that the standards address the changing business environment.
5.	ICGN	--
6.	NZSA	--
7.	SAAJ	--
Those Charged with Governance		
8.	AICD	The AICD sees merit in the IAASB's proposals to clarify certain existing standards, including how the group audit standard applies in different situations. We are aware that there can be difficulties in working arrangements in group situations and further guidance to assist auditors in working together in these circumstances is supported.
Regulators and Audit Oversight Authorities		
9.	BCBS	Auditing standards for group audits are highly relevant for the banking industry. In performing high-quality group audits, it is important that all audit procedures to be applied within the group are based on a common set of requirements. Similarly, communication structures within the group, particularly communication between the engagement and component partners, are important for a high-quality group audit. The Committee encourages the Task Force to be explicit in terms of requirements for engagement partners and component partners. In particular, in all group audits, what work has been performed and by whom should be adequately documented; communication should go both ways, from the component auditor to the group auditor and vice versa; and the group auditor should actively assess the competence and capabilities of the component auditors, as well as the quality management of their contribution to the group audit.

10.	CPAB	--
11.	EAIG	<p>11. We note that a number of concerns stemming from inspections regarding group audit have been taken into account by the IAASB in developing the ITC. We encourage the IAASB to pursue its focus on investigating the possible enhancements of the standards which would improve auditors' performance on those areas of group audits that most commonly give rise to inspection findings by European audit regulators.</p> <p>12. In particular, we draw the IAASB's attention to the fact that several of those findings would appear to point to areas where the standards could be improved, namely:</p> <ul style="list-style-type: none"> – <i>Relating to the ISAs as a whole</i>: interrelations between ISA 600 and other ISAs; – <i>Relating to the group engagement team's understanding of the component auditor</i>: access to component information by the group auditor, assessment of the component auditor's competence; – <i>Relating to the determination of materiality</i>: determination of component materiality, of aggregation risk, of "significant" components; – <i>Relating to the assessment of risks and the planned responses to assessed risks</i>: assessment of risks of material misstatement at the group financial statements level, consideration of risks identified at component level in the group auditor's assessment of risk (and the responses to those risks); – <i>Relating to the audit of the consolidation process for group financial statements</i>: the group auditor's role regarding the substantive consolidation; – <i>Relating to the level of involvement of the group auditor in the audit of the component</i>: the level of involvement by the group auditor in component audits, the level of reliance by the group engagement team on component auditor reporting, the group auditor's role regarding the work of the component auditor during all phases of the audit; – <i>Relating to audit engagements where the engagement partner is in a different location from where the majority of audit work is performed (e.g. situations of so-called "letter box" companies)</i>: dealing with audits where all/most of the audit is performed in another jurisdiction. <p>13. In addition, we highlight the following topics covered by European legal provisions, which we believe the IAASB should consider in further developing the standards:</p> <ul style="list-style-type: none"> – The group auditor's responsibility for the audit report issued on the consolidated financial statements; – The group auditor's documentation of the work performed on the component, either by the component auditor or the group auditor; – The conditions for the reliance by the group auditor on the work of a component auditor. <p>14. Furthermore, to respond to the needs of jurisdictions in which joint audit is requested or allowed, we draw the IAASB's attention to the need for ISA 600 to take into account or be compatible with situations where the group audit is performed by joint auditors, since this allowed by European law.⁵</p>

⁵ Regulation (EU) No 537/2014 Art.17(4)(b)

12.	EBA	<p>We strongly appreciate the IAASB's proposal to revise ISA 600 considering that financial statements may include several group dimensions with entities located in several jurisdictions outside the jurisdiction of the engagement partner. As acknowledged by the IAASB (paragraph 89-91 of the Overview of the ITC), the application of ISA 600 and its link to other relevant standards for group audits merits further enhancement in order to ensure that its requirements address sufficiently the challenges in a group audit.</p> <p>In addition to that, following the requirements of Article 17 of Regulation (EU) No 537/2014 for the duration of an audit engagement and the mandatory rotation of the statutory auditor and the audit firm, the cases of audit engagements with groups and component entities audited by different audit firms may become more common in the future and hence the need for the IAASB to address the risks to audit quality for such engagements. In this regard, the EBA supports further enhancement of ISA 600 requirements supported by any complementary application material, if needed, to ensure robust and consistent application of the requirements (paragraph 97 of the Overview of the ITC).</p> <p>We strongly believe that communication between the group engagement partner and component auditors needs further enhancement to ensure that both the group engagement partner and the component auditors engage in an effective two-way communication on all matters with significant impact on both the group and the local entity financial statements. It is hence felt that such communication shall not only take the form of a communication initiated by the component auditors upon the request of the group engagement partner, but that the requirement includes communication, if need be, from the component auditors on their own initiative to the group engagement partner (paragraph 91 of the Overview of the ITC). In this regard, we would also support further enhancement of the relevant ISAs on the role and the responsibilities of the EQC reviewer as well as the audit committee regarding the group audits.</p> <p>We also support the IAASB initiative to revise ISA 600 by strengthening the requirements related to the understanding by the group engagement team of the component auditors' competence and capabilities, which is key to properly evaluate the nature and scope of the component auditor's involvement in the group audit (paragraph 96 of the Overview of the ITC).</p>
13.	ESMA	--
14.	H3C	<p>Joint audit approach</p> <p>We believe that the IAASB should take into account, in its work going forward, the possibilities offered by a joint audit approach. In particular, we draw the IAASB's attention to the fact that:</p> <ul style="list-style-type: none"> - the joint audit approach can represent an alternative solution to issues identified; - professional skepticism should be exercised when selecting and reviewing the joint auditor's work; - specific requirements should be developed for group audits performed by joint auditors.
15.	IAIS	--
16.	IFIAR	--
17.	IOSCO	<p>We are supportive of the Board's efforts to identify opportunities to improve ISA 600, Special Considerations – Audits of Group Financial Statements (including the work of Component Auditors), and clarify its application. We believe that the concerns in relation to the application of ISA 600 should be addressed as a matter of priority. One Committee 1 member has participated in the preparation of our</p>

	<p>comments on group audits but has not concluded on its own views in this area given a current proposal by its national standard-setter related to group audits.</p> <p>We believe that the Board should consider its approach to how the requirements related to group audits are presented throughout the ISAs. The extant ISAs present incremental requirements related to group audits within ISA 600, and incremental requirements and application material is also included in certain other ISAs (e.g., paragraph A22 of ISA 315). We believe that the clarity of the ISAs could be improved if incremental requirements related to group audits were entirely included in each relevant ISA, or entirely within ISA 600, with appropriate explanation in the ISAs as to which approach has been selected. The Paper discusses adding linkage of relevant requirements in other ISAs to the requirements in ISA 600; however, a mixed presentation approach may not be the most clear, understandable or effective presentation of these requirements.</p> <p>The previous paragraph notwithstanding, we support additional linkage to other ISAs as necessary; however, in most cases, it will not, on its own, be sufficient to solve what we perceive to be significant issues with the existing standard. Based on our experiences with extant ISA 600, we believe that certain issues arise due to ambiguity or silence in the standard. This may indicate the need for additional requirements. Other concerns arise due to a lack of execution by auditors in meeting the extant requirements in the standards, which may indicate that further application material is needed. We caution the Board to carefully consider this distinction. Solutions that propose only to include linkages to other standards and clarify or expand application material, will not, in many instances, fully address the issues identified. In addition, where requirements and principles currently exist, application material to underpin the principles is essential for consistent application of ISA 600.</p> <p>The Paper briefly discusses the possibility of a separate standard for component auditors. Given that the nature, timing and extent of the work of the component auditor is intended to support the group engagement partner's opinion and is based on the needs of the group engagement team, it is unclear from the discussion in the Paper what the content of a separate standard for component auditors would consist of, and how such a standard would work in practice. Additionally, it is the responsibility of the component auditor to perform the audit in accordance with all applicable ISAs in order to support an auditor's opinion on the consolidated financial statements which states that the auditor has audited the financial statements in accordance with the ISAs.</p> <p>To present the requirements of the component auditor as being separate and distinct from other ISAs may provide an impression that the component auditor is not required to apply all relevant ISAs. The Board should, however, consider whether the requirements in ISA 600 need to be clarified such that they directly state the responsibilities of the component auditor. As an example, paragraph 19 of ISA 600 states that "...the group engagement team shall obtain an understanding of the following...". This paragraph could be amended to state that "...the group engagement team shall obtain, and the component auditor shall provide documentation of an understanding of the following...".</p> <p><i>Situations where an Engagement Partner is not Located where the Majority of the Audit Work is Performed</i></p> <p>We appreciate that the Board has made and continues to make efforts to address the concerns that were identified by stakeholders in feedback on the IAASB's Work Plan for 2015-2016 and the feedback from the ISA Implementation Monitoring Project in 2013. We noted in our 2013 letter on ISA Implementation Monitoring the significant issue with respect to the application of ISA 600 in the circumstance where the engagement partner is not located where the majority of the audit work is performed. In our view, this represents a significant concern related to the quality and application of ISA 600 that should be identified and addressed, along with other identified concerns, as a matter of priority.</p> <p>We are of the view that the Paper does not fully convey or discuss in detail the unique challenges that can exist where the engagement partner is not located where the majority of the audit work is performed (referred to by some as audits of letterbox companies). Issues</p>
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	<p>can arise in such a situation in all phases of the audit (e.g., acceptance and continuance, understanding of the entity, risk assessment and responding to identified risks, communication, documentation, determining the appropriate level of involvement of the group engagement team, review and supervision, and evaluation of the component auditor's work).</p> <p>Our members have encountered scenarios where the audit of the underlying operations is almost entirely performed by the component auditor. The group engagement partner who signs the audit report has seemingly very little participation in the conduct of the group audit, instead relying primarily on an opinion statement (paragraph 41(j) of ISA 600) from the component auditor who has undertaken the work. In these circumstances, we are of the view that these group engagement teams are failing to comply with the underlying principles and specific requirements of ISA 600 and other ISAs (e.g., ISA 220 which contains the responsibilities of the engagement partner for the direction, supervision and performance of the audit engagement). Although we raise this concern in the context where an engagement partner is not located where the majority of the audit work is performed, we believe it could apply to group audits more broadly.</p> <p>We believe practice issues have arisen in part as a result of the standard allowing component auditors to provide findings, conclusions or (emphasis added) opinions. This may have been too wide open as to what it means for an auditor to provide each of these and when the use of each is appropriate. This may have encouraged some group engagement teams to solely ask for and/or simply rely on the opinion that is provided by the component auditor without being sufficiently involved with the work of the component auditor and obtaining sufficient appropriate audit evidence regarding the financial information and other typical areas of audit findings (e.g., function of internal controls, passed financial statement adjustments, and potential auditor independence issues) of the components. Accordingly, we believe that component auditors should be required to provide their findings and conclusions to the group engagement team. Further, we suggest that the Board review how the terms "findings" and "conclusions", as well as "opinions", are meant to be applied and clarify the deliverables to the group auditor associated with these terms.</p> <p>We believe the Board should further consider what the impact is on audit quality if a component auditor provides opinions to the group engagement team consistent with paragraph 41(j) of ISA 600. For example, with respect to opinions, as we stated above, the group engagement team should not consider an "opinion" to be audit evidence that obviates the need for the group engagement team to be sufficiently involved with the work of the component auditor and to obtain sufficient appropriate audit evidence regarding the financial information of the components. We believe the Board should consider whether or not receipt of an opinion may give rise to unintended consequences with respect to the component and group auditor. For example, if an "opinion" is not provided to the group engagement team, could the component auditor consider him or herself to be less accountable for the audit procedures performed at the component? Would removing the requirement for the "opinion" cause the group engagement team to apply the extant requirements of ISA 600 in a more robust manner? At the same time, if an opinion is provided to the group auditor, could the group auditor consider him or herself less accountable for the component's element of the group audit?</p> <p>While paragraph 85 of the Paper suggests consideration of additional requirements or application material to specifically address situations where the engagement partner is not located where the majority of the audit work is performed, we do not believe the Paper goes far enough in its identification and consideration of specific issues to be able to assess whether the additional requirements or application materials will be helpful. For example, ISA 600 could be expanded to include factors or considerations that the group engagement partner should evaluate that, if present, may call in to question the ability to accept or continue an engagement, or examples of scenarios in which it may not be appropriate for the group engagement partner to accept or continue an engagement. As part of its considerations in this area, we think that the Board should specifically consider how the group engagement team should determine what constitutes a "majority" of the audit work. The Board should also consider what constitutes "a location" when stating that an engagement</p>
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		partner is not located where the majority of the work is performed as this could be interpreted differently (e.g., office, city, firm, country, network of firms).
18.	IRBA	--
19.	MAOB	<p>(a) Identified Risk of Material Misstatement in a Group Audit</p> <p>Para 18 of ISA 330 The Auditor's Responses to Assessed Risks states that irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure.</p> <p>Para 28 of ISA 600 Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors) states that for components that are not significant components, the group engagement team shall perform analytical procedures at group level.</p> <p>In view of the above, the AOB wishes to share that there have been instances where there are material line items in a component which is not a significant component. The group auditor had chosen to only perform analytical procedures at the group level, which may not be sufficient to address the risk of material misstatement in a group audit.</p> <p>To further address such situations, the AOB emphasises on the need and importance of managing expectations between the group and component auditors.</p>
20.	UKFRC	<p>We fully support the IAASB's plan to revise ISA 600 to respond to the issues and challenges in performing group audits. We agree with the IAASB that ISA 600 is no longer sufficient to support engagement teams in addressing the audit challenges that arise in audits of groups in today's evolving global business environment.</p> <p>We believe that the theme mentioned above as running through the ITC (that engagement partners are finding it increasingly challenging to meet their overall responsibility set out in ISA 220 for the performance of audits) is particularly observable in the group audits section of the ITC. In that regard, we support the proposal for the IAASB to strengthen the links to the principles and requirements in ISQC 1 and ISA 220, and in particular we further encourage the introduction of a quality risk based approach (to group audits) through a QMA-EL.</p> <p>We also support the proposals of the IAASB to strengthen the links in ISA 600 to the principles, requirements and related application material of ISA 315, and other relevant ISAs such as ISA 330, so as to better support engagement teams' application of those ISAs in the context of a group audit engagement.</p> <p>This includes our support for re-examining the validity of the mechanisms for scoping a group audit in ISA 600 i.e. focusing the determination of the necessary work effort on the basis of whether components are considered significant or non-significant, and on risk assessment of, primarily, significant components. We believe that these mechanisms are more consistent with a 'bottom-up' approach to the audit rather than a 'top down' approach. A 'top down' approach results in the assessment of risks at the level of the group and drives responses to those risks down to the component level through stronger two-way communication with the component auditors. We consider that pro-active two-way communication should be encouraged.</p>
National Auditing Standard Setters		
21.	AUASB	--

22.	CAASB	<p>The AASB is highly supportive of the IAASB's initiative to amend ISA 600³ and provide guidance related to group audits. During consultations, our Canadian stakeholders expressed support for this initiative and exhorted the IAASB to act quickly. Auditors have struggled in understanding and implementing key sections of this standard. In addition to large accounting firms in Canada, CPA Canada has developed various guidance material for group audits since the implementation of ISA 600. The AASB believes building clarity and guidance into the standard will lead to greater consistency in application and improve audit quality.</p> <p>The AASB supports a top-down risk based approach, as scoping a group audit based on the identification of components (bottom-up approach) may not always result in an appropriate assessment of the risks of material misstatement at the group financial statement level. In making changes to requirements and application material in ISA 600, the IAASB should be mindful of maintaining appropriate flexibility within the standard to allow for the application of this approach. For example, when making explicit reference to principles in ISAs 315⁴ and 330⁵, the guidance should highlight the starting point is the risk assessment at the group level followed by drilling down to significant components (and their significant risks). An alternative bottom-up approach of performing the initial risk assessment at the component level could result in the identification of component risks that are not relevant to the group. Further, when responding to risks of material misstatement, any changes to requirements for work effort at significant and non-significant components should be premised on the work required to support the group audit opinion. Concern has been raised that if work effort requirements are addressed at the component level in isolation, the requirements could inappropriately result in work being performed on individual components that have limited significance to the group audit opinion. Ensuring that changes to requirements and application material support the application of a top-down risk based approach in ISA 600 will further promote consistent application of the standard by auditors.</p> <p>While some Canadian stakeholders believe the group audit standard needs to be more prescriptive, the AASB felt this approach would undermine the ability of the standard to be broadly applied. Due to the diversity in group structures and environments, it is vital that requirements remain principles-based so they can be applied to a broad range of circumstances. Although application material can offer further guidance and practical examples, it is not possible to address all group audit scenarios. Therefore, in developing enhancements to ISA 600, the AASB encourages the IAASB to maintain a principles-based approach where emphasis is placed on addressing key challenges.</p>
23.	CNCC-CSOEC	<ul style="list-style-type: none"> As explained above, we believe that many of the concerns detailed in the ITC seem to reflect mis- or non-application of the current standards and thus do not indicate the necessity for revision of the relevant requirements. Furthermore, we are not convinced that adding additional examples will be helpful in all cases, which would detract from a principles-based approach and may be applied in inappropriate circumstances. Although we agree that it makes sense for the IAASB to explicitly recognize how the requirements of ISA 600 are intended to apply in the context of the audit of "letter-box companies" and the increasing use of shared service centers, outsourcing techniques etc., we are not convinced that the volume of clarifications suggested in the ITC will be helpful. We refer to our responses to the questions posed in regard to group audits in this context.
24.	HKICPA	--

³ ISA 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁴ ISA 315, *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment*

⁵ ISA 330, *The Auditor's Responses to Assessed Risks*

25.	IDW	<ul style="list-style-type: none"> As explained above, we believe that many of the concerns detailed in the ITC seem to reflect mis- or non-application of the current standards and thus do not indicate the necessity for revision of the relevant requirements. Furthermore, we are not convinced that adding additional examples will be helpful in all cases, which would detract from a principles-based approach and may be applied in inappropriate circumstances. Although we agree that it makes sense for the IAASB to explicitly recognize how the requirements of ISA 600 are intended to apply in the context of the audit of “letter-box companies” and the increasing use of shared service centers, outsourcing techniques etc., we are not convinced that the volume of clarifications suggested in the ITC will be helpful. We refer to our responses to the questions posed in regard to group audits in this context.
26.	JICPA	--
27.	MAASB	--
28.	NBA	<p><i>Structure of the ISA</i></p> <p>In practice there are various key challenges faced by auditors as mentioned below. On the one hand, there are more diverse and complex structures. On the other hand technology makes audits easier to perform. More information is centrally available through external and internal databases and remote access is possible. Furthermore, the group audit team is able to operate in a more integrated way with the component auditors and could use the quality control at the network level if the appropriate functioning thereof can be clearly demonstrated. There are various levels of integration which should be taken into account when using the work of component auditors: worldwide firm component auditor, network firm component auditor and other component auditor.</p> <p>We support the initiatives mentioned in the ITC for ISA 600 at this time. However, we believe that the IAASB needs to consider expanding the scope of the standard so that it addresses key challenges faced by auditors:</p> <ul style="list-style-type: none"> Auditing entities whose group structures are very different from the traditional parent/subsidiary structure, e.g., the standard does not adequately deal with groups that involve shared service centers or that are registered in one jurisdiction for statutory purposes and have operations in another jurisdiction. The standard does neither deal with significant investments accounted for at cost or the equity method nor non-controlled equity investments that need to be consolidated, but where the auditor does not have access to information. The standard does not address in enough detail component auditor responsibilities. We believe this is key, given that mandatory rotation in Europe will likely result in more component auditors coming from networks that are different from the group auditor's network. The standard does not adequately address sub-consolidation issues, including aggregation risk and how this may be addressed by component materiality. <p>We recommend that the ISA should provide more guidance on various situations or scenarios such as the audit of non-controlled equity investments, the usage of shared service centers and audits where the group engagement partner is not located where the majority of the audit work is performed (the existing Staff Audit Practice Alert about this subject can be used). This would make it easier to see whether the situation is applicable. The ISA should be flexible in that the requirements can be applied in a way that the audit of the group mirrors the structure of the entity, the organization of the audit firm(s) involved and related circumstances.</p>

		<p><i>Combination with other ISAs</i></p> <p>Using the work of other auditors and the audit of a group are combined in the same ISA. We believe the standards should retain the principle of the group auditor being responsible for the group audit in accordance with ISA 600. However, we recommend to split the aforementioned combination e.g. ISA 600 can be used to describe using the work of other auditors (how) and in the 500- series an ISA can be developed for the audit of a group (what) or in various ISAs the aspects of a group audit can be described.</p> <p>It is also important to realize that ISA 600 is not a stand-alone ISA. We recommend to provide more explanations on how to apply the principles of the ISAs to the different engagement structures and in the various phases of the audit. E.g. emphasizing key points from ISA 315 or ISA 330 might facilitate better linkage of the understanding of the group and risk assessment at the group financial statement level.</p>
29.	NZAuASB	--
Accounting Firms		
30.	BDO	In addition, we support the IAASB's plans to revise International Standard on Auditing (ISA) 600 (and other Standards, as appropriate) to respond to the multitude of practical issues encountered in practice. The increasing complexity and globalization of business has raised a number of questions that have caused firms to react by developing their own guidance. A clearer ISA that promotes greater consistency in how group audits are approached would be most welcome.
31.	CHI	--
32.	DTT	<p>Similar to the comments above, since the issuance of ISA 600, Special Considerations- Audits of Group Financial Statements (Including the Work of Component Auditors), there have been and continue to be significant changes in the structures and organization of businesses. Concurrent with such changes in business landscapes, complexities in planning and executing group audits have increased (including the consideration of additional inherent risks in certain jurisdictions such as emerging markets) and the performance of audits needs to continue to evolve accordingly. In this context, DTTL would like to provide the following observations and recommendations:</p> <ul style="list-style-type: none"> • Because of the increasing complexities in how businesses are structured, DTTL believes it would be appropriate to reconsider aspects of ISA 600. <ul style="list-style-type: none"> o The identification of significant and non-significant components has become increasingly challenging as many businesses have transitioned from initiating, authorizing, processing, and recording transactions at local jurisdictions to using centralized structures and processes, including global shared service and delivery centers. Therefore, DTTL believes that a revised standard should consider focusing on the need for appropriate responses to the identified risks of material misstatement that exist within a group, in addition to consideration of significant and non-significant components. Such an approach should enable auditors to allocate and focus resources where the highest risks exist, and DTTL believes it would be effective in supporting the performance of a quality audit. For example, DTTL would suggest including within ISA 600 additional guidance on situations where the group engagement team (GET) may decide to test "across" components (i.e., test one or more balances in the aggregate, rather than by component). DTTL also believes additional focus on risks of material misstatement could result in a more effective and efficient audit that is more consistent with the risk-based approach of the ISAs.

		<ul style="list-style-type: none"> o In addition, DTTL recommends the IAASB provide further guidance setting forth broad principles with respect to working with other auditors outside of the typical group audit scenario (e.g., other auditors involved in audits of “letterbox companies” and other auditors of shared service centers in situations that may or may not involve group financial statements). It is not always clear how the existing ISAs should be applied to scenarios not specifically mentioned in ISA 600 (i.e., situations that are not group audits, but in which other auditors are also involved). Setting out the appropriate principles to be applied and providing clarity in terms of how to apply them to different scenarios would provide auditors with direction on how to apply the framework to their engagement circumstances, including circumstances that might not be explicitly addressed or described in the standards. Overall, DTTL believes ISA 600 should be sufficiently flexible and principles-based such that the multiple scenarios that may arise and continuing evolving structures can be addressed appropriately and in a reasonably consistent manner when the circumstances are similar. This approach in ISA 600 will be increasingly important as a result of mandatory firm rotation in some jurisdictions which will result in increased instances of the group and component auditors being from different network firms. • It is in the public interest that component auditors consistently perform high quality procedures on the financial information of components. However, currently the requirements in ISA 600 are directed at the GET and, as such, do not directly focus on component auditor performance. DTTL does not believe that a separate standard to address the requirements for component auditors is necessary; however, DTTL believes that including additional application material and non-authoritative guidance for component auditors in the standard would be beneficial in demonstrating how the ISAs are expected to be applied by the component auditor. • The ITC raises the possibility of allowing the group auditor to make reference to the report of another auditor in the auditor’s report in certain limited situations. DTTL recommends further research on this possibility including understanding the experience of jurisdictions where reference to other auditors is permitted. DTTL is aware of the historic reluctance of the IAASB to recognize such a construct, but DTTL is also aware that the practice of making reference to another auditor is allowed under the standards of the PCAOB and certain other local auditing standards. It is of note that in jurisdictions that allow reference of another auditor to be made, the volume of activity is generally very low,² and usually related to transactions occurring late in the year and/or situations related to non-controlled entities. In light of issues that will likely arise from mandatory firm rotation scenarios and the frequency of non-controlled entities in consolidated financial statements, DTTL believes that there needs to be a thoughtful assessment of 1) what is reasonable and practical in this increasingly complex world, including the timing and nature of merger and acquisition transactions which often impact decisions in this area and 2) the public interest considerations as compared to the potential costs and unintended consequences.
33.	EYG	--
34.	GTI	--

² For example, in the United States based on PCAOB staff analysis of SEC filings as of May 16, 2016, there were 30 and 38 audits in fiscal years 2014 and 2013 respectively in which the lead auditor divided responsibility with another auditor. See PCAOB Release 2016-002, *Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard – Dividing Responsibility for the audit with another accounting firm*.

35.	KPMG	--
36.	PwC	<p>In our view, the ISAs remain a sound and pragmatic approach to planning and performing audits, including ISA 600 on group audits. For example, we support the concept of the group engagement partner having overall responsibility for the group audit opinion. We also believe in the importance of the group engagement team having a holistic understanding of the work being done as part of the group audit and how it fits together as a basis for the opinion on the group financial statements. At the same time, however, it is important to recognise that component and other auditors play an important part by taking responsibility for quality in the audit work they do. Audit quality is enhanced when there is accountability for audit quality at different levels of the audit, together with strong two-way communication and interaction between the group, component and other auditors.</p> <p>But there are challenges in applying the ISA requirements that we believe the IAASB should address:</p> <ul style="list-style-type: none"> • The structure of the standards inhibits the flexibility needed to be able to place responsibility and accountability for different elements of audit quality with those best placed to influence it, given the structure of the organisation being audited. Organisations do not always fit neatly into either groups (ISA 600) or single-entity audits (ISA 220). Applying the ISA requirements as if they do, can, in some cases, lead to some counter-intuitive outcomes. To drive audit quality across the range of organisational circumstances, auditors need to be able to apply the requirements that best suit the situation. • There is too much focus on who does what. The engagement leader plays a vitally important role. However, accountability for different aspects of audit quality in an engagement can, in our view, be shared with others when all participants understand their role and how it interrelates with those of others. There should be a spectrum for the expected involvement of the engagement leader (e.g., in direction, supervision and review) as best fits different engagement circumstances. • Applying ISA 600 to components that may be significant due to size but which the group does not control (e.g., investments in associates or joint arrangements) can cause challenges to the level of involvement of the group engagement team envisaged in the standard. With the increasing use of collaborative working arrangements between companies, these issues may become more prevalent. We encourage the Board to explore pragmatic solutions that would be acceptable in these circumstances.
37.	RBI	--
38.	RSM	--
39.	SRA	--
Public Sector Organizations		
40.	AGC	--
41.	AGSA	--

42.	GAO	--
43.	INTOSAI	--
Preparers of Financial Statements		
44.	PAIB	Although the PAIB Committee has not fully considered the proposed actions that will be explored in relation to group audits and ISA 600, we are of the view that enhancing audit quality through networks is important. Given many companies and audits are global, there is a need for common policies, procedures, and monitoring across networks. Consequently, group engagement teams need to demonstrate the basis for their reliance on common policies and procedures in determining whether to use the work of component auditors.
Member Bodies and Other Professional Organizations		
45.	AAT	--
46.	ACCA	--
47.	AIC	--
48.	AICPA	--
49.	APESB	--
50.	CAANZ	--
51.	CAI	<p>We support the proposal to revise ISA 600, in particular to support effective audit response to the use of shared service centres and other complex arrangements which groups may use to structure their activities.</p> <p>However, we consider that it is also necessary to develop a new ISA dealing with the use by a reporting auditor of work undertaken by another auditor, including articulation of the responsibilities of the 'other auditor'. Notwithstanding the reference in the current ISA 600 that it may be adapted in the context of involving other auditors in audits of financial statements that are not those of a group, our experience has been that this is both difficult in practice and problematic in terms of meeting regulatory expectations – for example, in relation to audits of entities established under statute in one jurisdiction whilst its operations and/or accounting function are based in another.</p> <p>Our experience in relation to investment funds operating in Ireland also leads us to suggest that IAASB should also address issues relating to master/ feeder funds, where each fund may have a separately appointed auditor with no obligation to co-operate with the [master] fund auditor reporting on totality of the fund. Within the European Union, legislation requires sharing of information in such circumstances, supporting the availability of sufficient audit evidence. Such arrangements are not in place outside the EU but could usefully be addressed via auditing standards.</p> <p>Similar issues arise in relation to entities with significant investments accounted for on the equity method.</p>
52.	CAQ	--

53.	CIIPA	--
54.	CIMA	--
55.	CPAA	--
56.	DnR	In relation to group audits we believe that the best way of addressing many of the issues identified in the ITC is to develop application material and examples on how the standards can be used in practice.
57.	EFAA	--
58.	FACPCE	--
59.	FEE	(29) Finally, auditing standards are silent when it comes to the use of a shared service centre (SSC), or reliance upon the work performed by an SSC. This lack of proper guidance should be tackled, noting that this is an area challenged by regulators. Nevertheless, this may not be seen as a group audit issue.
60.	FSR	In relation to group audits we support many of the issues but would prefer them to be addressed in application materials or even better IAPNs. Especially, we find it very relevant to address the issues surrounding the audit of "letter-box" companies. Further, we believe that the issues surrounding non-controlled entities and shared service centers should be addressed in updated standards.
61.	IBA	--
62.	IBRACON	--
63.	IRE-IBR	--
64.	ICAEW	<p>31. ISA 600 is not fundamentally broken but there are a number of areas in which firms and regulators alike have identified inconsistencies in practice. Many of the practical problems in the conduct of group audits are logistical and it is difficult for auditing standards to address these, but they must be addressed to the extent possible, if group audits are to improve.</p> <p>32. Regulators struggle to deal with firms on an international basis and it is important for IAASB to acknowledge that some of their frustration arises from structural issues that are outside IAASB's control. No amount of specificity in ISA 600 will compensate for a lack of jurisdictional reach and IAASB should explicitly acknowledge the limitations of auditing standards in dealing with structural asymmetries between global audit firms and audit regulators, and profoundly different cultural attitudes towards audits and auditors. A group audit is more than the sum of its parts and ISA 600 should continue to focus on ensuring that group management and group auditors are in control of the group and the audit.</p> <p>33. It is critical for group and component auditors, and regulators, to understand that ISA 600 does not stand alone and that it is not the only ISA to be followed in performing a group audit. IAASB should not attempt to compensate for excessive focus on ISA 600 by group auditors by duplicating issues in ISA 600 that properly belong in other ISAs. A good example of this is a perceived conflict between an audit approach that focuses on the identification of significant components (ISA 600) and one that focuses on the risk of material misstatement (ISA 315). These two are not mutually exclusive and appropriate application of both standards should result in a congruent, holistic approach to group audits.</p>

		<p>34. A fundamental problem with auditing in general comes into sharp focus with group audits, which is that it is a great deal easier to audit what is there, than it is to audit for completeness. There are limitations on the effectiveness of auditing standards in dealing with access issues and equity accounted associated entities and ISA 600 should perhaps acknowledge that where these issues cannot be resolved, modified audit reports may be necessary.</p> <p>35. Some additional requirements or guidance may be helpful. It is hard to object to many of the possible actions in the ITC in the absence of the proposed wording. As always, the devil will be in the detail.</p> <p>40. Other issues brought to our attention that we believe IAASB should consider addressing include the following:</p> <ul style="list-style-type: none"> • shared service centres: the issue is highlighted by the ITC but not addressed, even superficially, and we encourage IAASB to dig deeper in this area; • procedures where there are large gaps between year-ends – component auditors are often asked to do a lot and management may be uncooperative, practice varies considerably; • preventing and dealing with, the common situation in which poor quality responses received are provided late, leaving the firm with no time for review. Simply getting a response is deemed an achievement in some cases. It is often not what is needed even if it was what was asked for; • the resources smaller firms have available to deal with uncooperative larger firms acting as component auditors; • how to deal with situations in which the documentation regarding the independence and competence of component auditors is in place, including regulatory and quality control reports, but group auditors suspect that the documentation is of little value. This is an evidence issue: are firms entitled to take such documentation at face value when they strongly suspect, but have no evidence to support, a suspicion that component auditors are not in fact competent or independent?
65.	ICAP	<p>Standards should address the conditions under which audit evidence can be shared. Changes to the standards should:</p> <ul style="list-style-type: none"> • avoid unnecessary duplication of effort by allowing for the sharing of audit evidence and using the work of others, when permitted and justifiable in the circumstances; and • recognise the value that firm and network processes and controls contribute to audit quality, when appropriate in the circumstances. <p>There are many circumstances in which audit evidence obtained at the group level or other centralised location, such as a shared service centre (SSC), is relevant to both the group and multiple auditors of different components. The ISA requirements today can result in duplication in work effort by the group auditor and auditors of components who each need audit evidence from that work as the basis for their own audit opinions. There are circumstances when audit evidence should be able to be appropriately 'shared' if certain conditions are met. There is scope for exploring which conditions would support use by different auditors of the same audit evidence.</p> <p>This consultation paper desired to achieve a defined layout within auditing standards that can deal with the following public interest issues related to Professional Skepticism, Quality Control and Group Audits.</p> <p>i) How ISAs help in fostering an appropriately independent and challenging skeptical mindset of the auditor?</p> <p>ii) How might an audit file more appropriately demonstrate the auditor's decision-making processes, essential interactions and communications, in order to support the auditor's judgments and the audit opinion overall?</p>

		<p>iii) What changes in ISAs will result in robust, yet flexible requirements and guidance to drive appropriate engagement partner and engagement team performance, regardless of the circumstances?</p> <p>iv) How can important processes like engagement quality control (EQC) reviews and processes to respond to internal and external inspection findings be strengthened in our standards?</p> <p>v) Should our standards more explicitly address expected actions to remediate audit deficiencies or inspection findings?</p> <p>vi) Are there opportunities to strengthen our standards in relation to interactions and communication among those involved in a group audit?</p>
66.	ICAS	--
67.	ICAZ	--
68.	ICPAK	--
69.	ICPAU	--
70.	INCPC	--
71.	ISCA	--
72.	KICPA	--
73.	MICPA	--
74.	SAICA	--
75.	SMPC	<p>The SMP Committee does not consider that ISA 600³ is fundamentally broken, but recognizes there are a number of issues and that have led to inconsistencies in practice, which should be addressed to improve the quality of group audits. We note that many of the issues identified are logistical and may not be resolved from standard setting alone.</p> <p>It is important that the revision of ISA 600 does not have any unintended consequences on audit quality by negatively impacting SMPs through inappropriate changes to the standard resulting in SMPs being accepted less as component auditors, or precluded from assuming the role of group auditor. Whilst we support many of the proposed actions that will be explored, it is essential for the IAASB to be able to distinguish between gaps in the standard (where additional requirements may be needed) and incorrect application of the standard (where potentially further explanation or training may be appropriate), so as not to over-engineer its suite of standards, nor to result in an excessive focus on documentation so as to address the concerns of regulators' or audit oversight bodies at the expense of the SMP auditor community.</p>
76.	WPK	--

³ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	--
84.	JGrant	--
85.	JK	--
86.	KKTuraga	--
87.	SDeViney	--

GA1. We plan to revise ISA 600 (and other standards as appropriate) to respond to issues with group audits.

- (a) Should we increase the emphasis in ISA 600 on the need to apply all relevant ISAs in an audit of group financial statements? Will doing so help to achieve the flexibility that is needed to allow for ISA 600 to be more broadly applied and in a wide range of circumstances (see paragraphs 194–198)? If not, please explain why. What else could we do to address the issues set out in this consultation?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	We encourage consideration of practical matters affecting individual auditors, group auditors, and component auditors. We support clarifying roles and responsibilities, as well as, strengthening communication among those involved in an audit. We also support emphasis on audit firm accountability, access to reports and adequate documentation from auditors including focus on coordination of group audits and transparency of the audit.
2.	★ CalSTRS	CalSTRS concedes that group audits may present complex challenges with the use of component auditors spotlighting issues of jurisdictions with different cultures, languages, laws and regulations. Although a group financial statement review may utilize component auditors, it is important to investors to ensure communication and appropriate accountability. It is important that the lead group auditor is qualified and willing to accept full responsibility for the group audit opinion. CalSTRS believes the auditor's report should reference component auditors and their role in obtaining sufficient appropriate audit evidence to support a group audit opinion. We would also suggest the naming of the auditor in the audit report contain partners from the component auditors so investors fully appreciate the aggregate review.
3.	CFA	Given the complexity of group audits involving component auditors, network firms, different jurisdictions etc., the questions that have arisen from stakeholders regarding the application of <i>ISA 600 Special Considerations—Audits Of Group Financial Statements (Including the Work Of Component Auditors)</i> and the concerns raised by regulators and audit oversight bodies regarding group audits we believe the IAASB needs to undertake a project to review ISA 600 and how it relates to the other standards, in particular ISA 220. This is essential in order to manage audit risk and raise the quality of the audit. We agree with the specific issues identified in paragraphs 96 and 97 of the Overview that need to be addressed in revising ISA 600. Furthermore, we believe the standard should reinforce the concept of professional skepticism.

★ Responded to Overview questions of the ITC

4.	★ IA	<p>The Investment Association supports the introduction of guidance that will increase the emphasis in ISA 600 of the importance of applying all relevant ISAs in a group audit. In this context, mandatory firm rotation is being introduced in Europe with the implementation of the Audit Regulation and Directive. However, Member States are not necessarily implementing the same time periods for rotation and there is an increasing likelihood that group audits will involve firms from outside the group auditor's network. We, therefore, consider it important that the IAASB not only addresses when and how a network firm can be relied on but also firms from outside the network where stronger quality control procedures may be necessary.</p> <p>It is helpful to investors when audit reports provide information about the nature and extent of the involvement of other auditors in group audits. Notwithstanding, it is important that the group engagement partner continues to assume overall responsibility for the audit.</p> <p>In summary, we believe that quality control in group audits needs to be managed more proactively at the group engagement level to ensure that the direction, supervision and review of other auditors involved in the audit respond to the risks to audit quality. Such an approach would ensure that the standards address the changing business environment.</p>
5.	★ICGN	Each auditor or other entity doing substantial work on the audit should be referenced in the auditor's report. The ICGN believes that requiring disclosures in the auditor's report about the role of other auditors in the group audit will provide more transparency about the audit and how it was performed so that users can evaluate the participation of other auditors.
6.	NZSA	As users of account we support any measures which will improve the quality and reliability of Group Audits. We do think greater transparency around levels of materiality involved in an audit, at the Group and subsidiary level, would be of interest to users and provide further evidence/information supporting the degree of reliance a user could place on accounts.
7.	★SAAJ	We believe the IAASB should consider to require auditors to include profiles of other auditors of major subsidiaries (for example, the name of the auditors and key financial figures including sales, total assets and so on) in the auditor's report or other disclosure documents. We expect that such additional disclosure should help financial statements users to obtain greater insights into audit quality of group audits, together with the suggestion in our answer to QC2 regarding enhancement of disclosures in transparency reports.
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	<p><u>Fundamental principle of responsibility of the group engagement partner and group engagement team</u></p> <p>There is a need for the group engagement partner to have a high level of involvement in the work performed by others. Accordingly, it is important to establish a strong linkage between the role of the engagement partner and group audit responsibilities in all other standards (including ISA 220) in addition to ISA 600.</p>

★ Responded to Overview questions of the ITC

11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	<p>23. From the standpoint of securities regulators, group audits are particularly important as many companies have significant operations and complex structures which are currently not addressed or are deficiently addressed by ISA 600. Therefore, ESMA welcomes the IAASB's proposal to revise ISA 600 The work of related Auditors and Other Auditors in the Audit of Group Financial Statements.</p> <p>24. In order to reduce these risks and ensure a consistent application of this standard and its link to other relevant standards for group audits, ESMA believes that ISA 600 shall be strengthened by complementing and reinforcing its requirements and adding complementary application materials (paragraph 97 of the Overview of the ITC).</p> <p>25. ESMA believes that the IAASB should address the 'materiality' concept from a group audit perspective, as considered in paragraph 96 of the Overview of the ITC, as auditing standards and other professional materials offer little practical guidance on the topic. As indicated in paragraph 254 of the ITC, determining materiality at group level and at individual components level has become a contentious issue as the number and complexity of large and international group audits increased. In order to ensure proper planning of the nature and extent of audit procedures for a group audit, the group engagement partner should determine group overall materiality and establish or approve appropriate materiality levels for the individual components.</p> <p>26. ESMA agrees with the IAASB that the revision of the 'materiality' concept by developing a conceptually sound guidance should not be made in isolation in this project, but encourages the IAASB to revise the various group audit related topics in the auditing standards within a shorter timeframe. In particular, ISA 600 should be revised to include (i) principles on how "aggregation risk" (in conjunction with component significance) should work; (ii) requirements on how to determine the components auditors' materiality; (iii) guidance regarding determination of significant components and the work effort needed; and (iv) guidance in relation to the rotation of the components being reviewed.</p> <p>27. ESMA agrees that the two-ways communication between the group engagement partner and component auditors needs significant strengthening, as stated in paragraph 91 of the Overview of the ITC. Communication by component auditors should not only be upon the request of the group engagement partner but also at the own initiative of the component auditor. Furthermore, communication should be encouraged during all phases of engagement and on any matter relevant to the audit quality and especially on matters with significant impact on the component financial statements (such as non-compliance with laws, fraud, narratives and walkthroughs for significant processes). ESMA also believes that requirements should be strengthened in relation to the understanding of the group engagement team about the component auditors' competences and capabilities to be able to properly evaluate the nature and scope of their involvement. That shall be done independent on whether component auditors belong to the same or to a different audit firm.</p> <p>28. Finally, as indicated in previous correspondence, we would like to highlight the issue of the application of ISA 600 to "letterbox companies" (audits where the engagement partner is not located where the majority of the audit work is performed). We consider that the consultation documents do not fully convey or discuss in detail the unique challenges that exist in those cases. In our</p>

★ Responded to Overview questions of the ITC

		view, this represents a significant concern related to the quality and application of ISA 600 that should be identified and addressed as a matter of priority.
14.	H3C	---
15.	★ IAIS	<p>The IAIS welcomes the particular attention given in this ITC to issues related to group audits. On the whole, the IAIS believes that the ITC proposals will help bring about an overall improvement in the quality of group audits.</p> <p>Although the introduction to the ISA 600 states that “The International Standards of Auditing (ISA) apply to group audits” and the standard contains some direct references to other ISAs (ISA 220, 210, 300), the IAIS still believes it would be useful to emphasise that relevant principles required in the other ISAs should be applied when performing an audit of group financial statements. Also, application material could be strengthened to better illustrate how ISA 600 should be applied or adapted in practice.</p> <p>The IAIS supports preserving the principles-based nature of the ISAs so they can continue to be fit for purpose in all situations and contexts encountered - in particular, for group audits.</p>
16.	IFIAR	<p><i>Interaction between ISA 600 and other ISAs</i></p> <p>32. We believe that the revised ISA 600 should make clear that its application does not supersede the need for the auditor to comply with all other ISAs. The ITC considers the interaction between ISA 600 and other ISAs, including ISA 220 [ITC §191-203], and places particular focus on certain areas of the audit where, according to the IAASB, the link to other standards is of most importance [ITC §198]. We agree that those are important areas to be highlighted in the context of a group audit but we caution against these areas being highlighted to the detriment of other areas of the audit and the related ISAs. We invite the IAASB to maintain the focus on the applicability of all relevant ISAs in a group audit context.</p> <p><i>Involvement of the engagement partner</i></p> <p>33. We encourage the IAASB to clarify and highlight throughout the standards, the fundamental need for direction, supervision and review by the engagement partner of the work of others involved in the audit - whether they be members of the audit engagement team, specialists or other external auditors - at all stages of the audit. We note, in particular, that the ITC addresses the issue of the involvement of others in the audit in the section on quality control [ITC §87-104]. We believe that consideration of this issue should be extended to group audits and the use of the work of component auditors.</p> <p>34. In addition, the IAASB should ensure that its proposed actions appropriately address cases where the engagement partner is in a different location from where the majority of audit work is performed, such as audits of so-called “letter-box companies”.</p>
17.	IOSCO	[see pp. 13 – 27 of comment letter]
18.	IRBA	<p><i>ISA 600: Special Considerations – Audit of Group Financial Statements [ITC question GA1(a)]</i></p> <p>1. ISA 600 deals with special considerations that apply to group audits. As such, all other relevant ISAs also apply to a group audit engagement.</p> <p>2. Although we agree that ISA 220 and other ISAs relevant to the planning and performance of a group audit are important, we do not believe that ISA 600 should only focus on these ISAs. We believe that ISA 600 should make it clear that the auditor needs to apply all other relevant ISAs during a group audit engagement.</p>

19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	<p>Overall, we support the IAASB’s plan to revise ISA 600 to respond to the issues and challenges with performing group audits. We agree with the IAASB that ISA 600 is no longer sufficient to support engagement teams’ address the audit challenges that arise in audits of groups in today’s evolving environment. This is for a number of reasons that have already been comprehensively explored in the ITC, but we believe can be summarised into two key categories:</p> <ul style="list-style-type: none"> Performance of the audit – as explained in our response to QC2, the common theme running through the ITC is that in today’s environment engagement partners (including group engagement partners) are finding it increasingly challenging to meet their overall responsibility set out in ISA 220 for the performance of audits, including demonstrating appropriate direction, supervision and review throughout the audit. This is particularly observable in the issues and challenges described in the group audits section of the ITC, for example in: <ul style="list-style-type: none"> acceptance and continuance of the group audit engagement (e.g. obtaining a sufficient understanding of the challenges the group engagement team will face before commencing the work); communication between the group engagement team and component auditors; using the work of the component auditors; review and evaluation of the work of component auditors; and other sections in the ITC that address challenges related to managing the group engagement. The mechanisms for focusing the determination of the necessary work effort across the group – we question the validity of the mechanisms in ISA 600 for focusing the necessary work effort across the group. We particularly question the validity of the two-tier scope mechanism (based on whether components are considered significant or non-significant) and the two-tier approach to risk assessment (at the group level and at component level). These mechanisms may inadvertently emphasise a “bottom-up” approach to planning the audit and we believe that the emphasis should be on a “top-down” approach based on understanding the group and the environment in which it operates and an assessment of the risks of material misstatement at the level of the group financial statements. We believe that these mechanisms may be one cause of a number of issues that are discussed in the ITC, for example in relation to: <ul style="list-style-type: none"> Lack of understanding and variation in practice in relation to the concepts of component materiality and performance materiality; Inappropriate understanding and consideration of group-wide risks and/or whether such risks also exist at some or all of the other components; Lack of understanding of the concept of an “audit of a component”, and insufficient work being performed on non-significant components; and other issues in the ITC related to challenges that arise from the requirements and guidance in ISA 600 that are included to support these mechanisms. <p>We discuss this matter further in our response to GA5 below.</p> <p><i>Performance of the audit</i></p> <p>We believe that what we explain as the “overarching issue” in QC2 is core to a number of concerns and issues being raised in this section of the ITC and it is therefore critical that the IAASB address this overarching issue holistically. Accordingly, the actions the IAASB are</p>

		<p>exploring in relation to ISA 600 may improve the quality of group audits but, as explained in detail in our response to QC1 and QC2, the most effective response in supporting engagement partners to address this overarching issue and improve audit quality would be to embed quality management principles at both the level of the firm and the engagement level.</p> <p>We believe that group audits could be managed much more effectively under a QMA-EL because by directly assessing risks to audit quality at the group engagement level, the group engagement partner will have a much greater understanding of where the challenges in the group audit lie and therefore better able to determine where the risks to audit quality lie across the entire group. As a result they will be better able to tailor the direction, supervision and review procedures to control and mitigate those risks. (Please read our response to QC1 and QC2 that give more detail on the benefits to embedding this approach). As ISA 600 builds on the requirements of ISA 220 as well as other ISAs as relevant, issues relating to the performance of group audits, particularly in terms of direction, supervision and review may be better dealt with through changes to ISQC 1 and ISA 220 as relevant, with appropriate strengthening of the links in ISA 600 to the requirements in ISQC 1 and ISA 220. In this regard our responses to each of the questions in GA2 – GA9 (that discuss matters related to the performance of audits) regarding the IAASB’s proposals to address issues arising are premised on the point made earlier that providing further clarity in ISA 220 about what is meant by ‘performance’, ‘direction’, ‘supervision’ and ‘review’ and embedding a QMA/QMA-EL approach will be the most effective means to enhance audit quality.⁴⁰</p>
National Auditing Standard Setters		
21.	AUASB	<p>ISA 200 paragraph 18 covers the need for the auditor to comply with all ISAs relevant to the audit, accordingly any additional emphasis on the need to apply all relevant ISAs may cause interpretation issues in circumstances where some ISAs are not applied in an engagement; for example where some audit procedures are centralised and are performed by the group engagement team and are not required to be performed by the component auditor.</p> <p>Other factors to be considered:</p> <p><i>Broadening of ISA 600:</i></p> <p>With the ever-changing and more complex business landscapes and the way organisations are structured and operated, the AUASB considers that ISA 600 requires broadening so as to include all scenarios where one auditor uses the work of another auditor and not only in a group audit scenario. ISA 600 needs to cover not only group audits, but all environments where financial information is fed into a group financial report, this should encompass entities such as joint ventures, equity investments, branches, divisions and shared service centres.</p> <p>One consideration when broadening the ISA could be a change in the name of ISA 600 to something more expansive, for example <i>Special Considerations – Using the Work of Other Auditors</i>. A name change could facilitate ISA 600 being applied to any scenario where one auditor involves the work of another auditor in the audit of financial reports with one such example being for group audit engagements. The definitions of “component” and “group” in ISA 600 may require additional application material and examples to assist with the practical challenges of the aforementioned scenarios.</p>

⁴⁰ PCAOB Proposals: We note that, at the time of writing, the PCAOB is suggesting similar proposals in their April 2016 discussion paper on improving standards for group audits. In particular, the PCAOB note they are proposing to amend their auditing standards to strengthen the existing requirements to improve the approach of the lead [group] auditor in their supervision of other auditors [e.g. other auditors used in a group audit situation] by introducing, among other things, a risk-based approach to supervision]. The PCAOB propose that requirements for supervision should be risk-based and scalable, and the necessary extent of supervision varies depending on, for example, the associated risks of material misstatement, the nature of the work performed, and the qualifications of individuals. (See PCAOB Release No. 2016-002 - April 12, 2016 - PCAOB Rulemaking Docket Matter No. 042 - Proposed Amendments Relating To The Supervision Of Audits Involving Other Auditors (PCAOB Group Audit Release April 2016)).

		<p><i>Access Matters</i></p> <p>Associates, non-controlled entities and joint ventures which may be significant components but are not controlled by group management, continue to cause access issues in the Australian environment. The situation is compounded in jurisdictions that do not have similar legal and regulatory requirements to those in the jurisdiction where the group engagement team is located. In particular, privacy/confidentiality laws or regulations may preclude information from being shared with a group engagement team. Application material could be further developed to address the specific circumstances that may cause such issues and provide some examples about how some of these matters may be addressed.</p> <p><i>Ability to Direct and Supervise</i></p> <p>The ability for a group auditor to direct and supervise the work of a component auditor in some situations continues to cause practical challenges in the Australian environment. An example of this scenario is where the component entity is listed in its own right and the component entity's financial report may not be prepared for the primary purpose of inclusion within the group financial report. Additional application material and examples of such practical challenges could be further explored in a revised ISA 600. In addition, there is a need for greater clarity and guidance in scenarios whereby the component entity is a listed entity where there are continuous disclosure requirements. Application material responsive to the timing of communications between the group and component engagement teams where there are continuous disclosure concerns is required.</p> <p><i>Component Auditor is part of the Group Engagement Team</i></p> <p>Where the component auditor is part of the group engagement team, additional application material is considered to be beneficial. Currently the only reference to this scenario is ISA 600 paragraph A7 "A member of the group engagement team may perform work on the financial information of a component for the group audit at the request of the group engagement team. Where this is the case, such a member of the engagement team is also a component auditor". In such scenarios, for example where a branch or associate or subsidiary or a shared service centre is audited by a member of the group engagement team, the question is raised as to whether this meets the definition of a group audit scenario and thus whether all aspects of ISA 600 are applicable, for example scoping the component, issuing group instructions or assessing the competency of the component auditor?</p>
22.	CAASB	<p>The AASB as well as our Canadian stakeholders were of the view that enhancements to ISA 600 are required to provide more guidance for practitioners and build consistency in practice. At the same time, the IAASB should retain the principles-based nature of the standard. By enhancing ISA 600, the IAASB can provide guidance directly to address issues and challenges identified by practitioners.</p> <p>ISA 600 currently requires the application of all relevant ISAs, however practitioners struggle with how to implement this in practice. More examples of how the ISAs can be applied in a group environment will assist practitioners. In particular, guidance on how ISAs 315 and 320 can be applied in a group environment should be added to ISA 600.</p> <p>The AASB also believes that the scope of ISA 600 needs to be clarified to distinguish more clearly between multi-location audits and group audits. In addition, the AASB believes that paragraph 2 of ISA 600 may need to be amended to reflect the result of the actions set out in paragraph 100 of the ITC in response to the discussion in paragraphs 76-77 and 96 of the ITC dealing with letterbox audits.</p> <p>The AASB believes that paragraphs 195-198 of the ITC appropriately identify key challenges auditors encounter in conducting group audits. No further actions were identified to address the issues highlighted in these paragraphs.</p>

23.	CNCC- CSOEC	<p>We believe that the matters identified are matters regarding the implementation of the auditing standards. We consider that the IAASB should keep in mind the principles-based nature of the ISAs and preserve it so that they continue to be “fit for purposes” as group structures continue to evolve. We therefore consider that it is not necessary to add more requirements to the ISA 600.</p> <p>More practical sources of guidance could be developed and produced in the form of International Auditing Practice Notes (IAPNs) or Staff Papers or FAQ for example. Also, illustrative examples may be key to the development of better quality group audits. These practice notes and examples do not impose additional requirements on auditors beyond those included in the ISAs, but rather provide practical guidance on specific subject matters.</p> <p>In addition, this type of guidance could produce ‘application scenarios’, possibly outside ISA 600. The complexities of international organisations are ever increasing. In the near future, there may be other developments and challenges arising from areas linked to group audits that would benefit from further guidance; a mechanism for addressing such needs without re-opening a complex standard might be a desirable option. Illustrative examples may be key to the development of better quality group audits.</p> <p>Also some of the guidance may well have application outside of a strict group scenario e.g. those when addressing the entity’s use of a Shared Service Centre (SSC) mentioned in paragraph 194; we believe that the use of SSC by clients might also be relevant in the case of a statutory audit of a single entity, and thus should not solely be a group audit issue.</p> <p>As mentioned in QC3, we do not support revisiting the requirements that currently preclude the ability to make reference to the report of another auditor. The concept of division of responsibility is not compatible with the European legislation. As we already mentioned, according to article 27 of the audit directive, Member States shall ensure that in the case of a statutory audit of the consolidated financial statements of a group of undertakings, in relation to the consolidated financial statements, the group auditor bears the full responsibility for the audit report referred to in Article 28 of this Directive⁴. Accordingly, we do not agree with actions that would affect the concept of the group auditor’s sole responsibility for the audit opinion.</p>
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	<p>In view of the fact that ISA 600 is not intended to be a stand-alone standard as well as the feedback the IAASB has received, we agree that it may be helpful to refer to ISA 200.18 within ISA 600 so as to emphasize the need for auditors to apply all relevant ISAs in an audit of group financial statements. In particular, we agree that determination of the risk of material misstatement at group level demands involvement on the part of the group auditor. To the extent that this is considered to be unclear, we agree that it would be helpful for ISA 600 to clarify the group auditor’s responsibilities.</p> <p>In regard to the field of application of ISA 600 beyond a group audit, we refer to our response to QC 3, where we discuss the need for additional clarification. We agree that additional clarification as proposed in the ITC ought to be helpful in addressing the issues raised relating to misunderstandings concerning application.</p> <p>We do not support the IAASB re exploring the question of whether an auditor should refer to other auditors in the auditor’s report, as explained in our response to QC 3 above. In the EU, a group auditor is required to bear sole responsibility for the audit opinion, and we believe that the inclusion of a reference to other auditors would ultimately imply that the group auditor no longer bears sole responsibility.</p>

⁴ <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:02006L0043-20140616&from=EN>.

26.	JICPA	We believe it would be meaningful if ISA 600 put greater emphasis on the need to apply all relevant ISAs in an audit of group financial statements, in order to achieve better flexibility.
27.	MAASB	In our view, it is important that the planned revision to ISA 600 brings clarity to the scope of engagements addressed by the standard. We encourage the IAASB to develop guidance on how the existing principle in paragraph 2 of the ISA should be applied to different engagement structures that exist today; for example, the use of SSCs and engagements involving more than one auditor. We believe that by emphasising the linkage between ISA 600 and the other ISAs, there would be more clarity on planning and performance of a group audit.
28.	NBA	<p>ISA 600 was developed for the purpose of facilitating decisions and judgments that needed to be made by a group engagement team to assist them in performing an audit that meets the requirements of the ISAs. For a significant part, ISA 600 should be viewed as a standard which emphasizes the need for effective communication when involving other auditors in performing an audit and not so much as a standard about how to plan and execute an audit. By definition this means that all other relevant standards need to be applied when auditing a group or a component, whether performed by the component auditor or the group auditor.</p> <p>Paragraph 2 of ISA 600 already emphasizes that the standard is also applicable in circumstances other than group audit alone. However it may be helpful though to provide some more guidance on how to apply the principle of ISA 600 to the different engagement structures that exist nowadays, but also to make it possible for the responsible auditor to decide whether the requirements are applicable in these circumstances based upon his/her professional judgment.</p> <p>Using the work of other auditors and the audit of a group are combined in the same ISA. We recommend to split this up e.g. ISA 600 can be used to describe using the work of other auditors (how) and in the 500 series an ISA can be developed for the audit of a group (what) or in various ISAs some aspects of a group audit can be described.</p>
29.	NZAuASB	The NZAuASB supports increasing the emphasis in ISA 600 on the need to apply all relevant ISAs, as long as it does not add new requirements. Specifically, to improve the linkage between ISA 600, and ISA 315 (Revised) and ISA 330, to better support the application of those standards in group audit engagements.
Accounting Firms		
30.	BDO	<p>We agree with the IAASB further emphasizing how ISA 600 links and builds on the other ISAs when planning and performing a group audit. This will aid clarity and understanding for those performing a group audit.</p> <p>ISA 600 was never meant to be considered as a standalone ISA; however, the depth and breadth of this particular ISA (see our later comments in GA5(a)(iii)) has likely encouraged individuals when using ISA 600 to assume that it is more comprehensive than intended.</p> <p>In addition to the other ISA issues listed by the IAASB in paragraph 198, we would also support further emphasis within ISA 600 relating to ISA 320 and how this links into matters concerning the determination and application of group and component materiality.</p> <p>We support the suggestion in paragraph 194 to focus on the practical challenges in identifying components, determining the nature, extent and timing of the required involvement in the work of component auditors, and considering consolidations and sub-consolidations performed at the regional and segment level.</p> <p>The issue of an entity's use of Shared Service Centers (SSCs) is also likely to be an increasing factor on group audits; any exploration of the practical challenges faced by group engagement teams in terms of accessing information held by SSCs or coordinating or reviewing the work of component auditors would be beneficial.</p>

31.	CHI	IAASB should increase the emphasis in ISA 600 on the need to apply all relevant ISAs in an audit of group financial statements. The analysis in paragraph 198, and particularly the examples, is very relevant and highlights the importance of the interaction with other ISAs. The increased emphasis will help with the application of ISA 600. Rather than debate “flexibility” now, we agree with the need to revise ISA 600. The consultation paper highlights many of the known weaknesses in the scope, content and application of ISA 600. IAASB should proceed with the revision to address these issues. When there is an exposure draft, there can be a discussion about flexibility.
32.	DTT	<p>DTTL believes that while a stronger connection between ISA 600 and the need to apply all relevant ISAs (on which ISA 600 is predicated) would be beneficial, this should be considered in conjunction with a reassessment of whether the current requirements in ISA 600 need to be as prescriptive as they are currently drafted. This is further discussed at GA7.</p> <p>As discussed in the executive summary, the environment has changed since ISA 600 was originally issued. There is increasing complexity in audit regulation and the business environment (reflected in complexity in terms of scoping and performing group audit engagements). There is also additional recognition of the risks that may be inherent in certain jurisdictions (e.g., certain emerging markets). Much of the additional guidance proposed in the ITC would assist auditors in more specifically addressing these situations. DTTL, therefore, believes that the actions described in the ITC would enhance the quality of group audits. In particular DTTL believes that auditors will benefit from:</p> <ul style="list-style-type: none"> • A reconsideration of the approach in ISA 600 to be more risk-based rather than driven by the identification of significant components as discussed in the executive summary. • Increased consistency around the expectations of the group engagement team (GET) with respect to documentation that should be reviewed or maintained by the GET. • Additional guidance for the GET to apply in identifying and resolving access issues. • Enhanced communications between the GET and component auditors, particularly as an increase in the use of non-network component auditors is anticipated in jurisdictions where mandatory firm tendering and/or rotation exist. • Additional guidance around the factors to be considered by the GET in determining the scope of their involvement in the work of component auditors.
33.	EYG	<p>We believe that an overall emphasis in ISA 600 on the need to apply all relevant ISAs in a group audit could be helpful, but we believe more value could be obtained through an approach that involves increasing the linkages between ISA 600 and the other relevant ISAs to assist the auditor in determining when requirements in other ISAs are relevant. We believe doing so would clarify the interactions of ISA 600 with the other ISAs, such that ISA 600 could continue to focus on supplemental requirements and issues specific to group audits.</p> <p>We strongly agree with the statements made in paragraphs 200 and 201 of the ITC regarding the need for ISA 600 to be able to be applied to a wide range of group structures and for ISA 600 to remain “fit for purpose” as group structures continue to evolve. We are not in favor of an approach to the revision of ISA 600 that would involve more rules-based or highly structured requirements. We believe in applying a risk-based and principles-based approach to ISA 600 (refer to (d) below for further comments).</p> <p>Separate standard for component auditors</p> <p>We do not support the development of a separate standard for component auditors. We do support, however, clarifying the responsibilities for component auditors, where necessary. We believe such clarifications are best done within ISA 600 such that the component responsibilities can be presented in the context of, and in contrast to, the group engagement team responsibilities, especially as they</p>

		<p>relate to communications between the group and component auditors and risk assessment activities by the component auditor (refer to our responses to GA3 and GA7, respectively).</p> <p>For our views on what else the IAASB could do to address the issues set out in this consultation, please refer to our response to (d) below.</p>
34.	GTI	<p>We agree that issues raised in the application of ISA 600 need to be addressed by the IAASB. ISA 600 is usually easier to apply in circumstances where the group has strong management controlling the components and those components are located in jurisdictions whose laws and regulations allow for appropriate sharing of information between the group and the component auditors. However, it is a difficult standard to apply and auditor's struggle with what "applying all relevant ISAs" actually means in practice. To address the issues identified in the ITC we believe that a more substantive review of the standard, in particular application material that provides additional guidance clarifying how other ISAs, especially ISA 315 (Revised), Identifying and Assessing Risk of Material Misstatement through Understanding the Entity and Its Environment apply in a group audit is warranted.</p> <p>We believe that further guidance would be particularly appropriate in assisting engagement teams with scoping a group audit. This is an area in practice that proves troublesome to engagement teams. In providing further guidance, the definition of a component should be revisited by the IAASB. A component is currently defined as "an entity or business activity for which group or component management prepares financial information that should be included in the group financial statements." Consideration should be given as to whether the definition of a component (and thus whether the engagement is a group engagement) should be based on whether other (component) auditors are used on the engagement and not based on the structure of the entity itself. If this approach is not taken, we believe that clarity needs to be added to the definition as to what should or should not be considered a component in a group situation, for example, should an investment be considered in the same way as a subsidiary? We also believe that further clarity is required on when it is appropriate to not perform audit procedures on amounts in the group financial statements that exceed materiality.</p> <p>In all engagements, the engagement team is required to obtain sufficient appropriate audit evidence on which to base the opinion. However, the nature, timing and extent of audit work performed and audit evidence obtained can differ greatly between an audit of a group and an audit of a stand-alone entity. However, in both a group audit and a single entity audit, the auditor's report is the same. It is not clear if the users of the auditor's reports understand the differences in the audit underlying these reports. For example, would a user of a group auditor's report understand that all the audit work, and in some cases the majority of the audit work was not directly performed by the group audit team.</p> <p>Consistent with our response to question QC 3 above, we believe that greater transparency in the auditor's report is desirable. There are differing views on how this may be best achieved through the auditing standards. We recommend that the IAASB consider whether existing initiatives in certain jurisdictions on transparency could be adopted in the ISAs, including whether these initiatives could be applied to a wide range of companies' auditor's reports, for example, in the UK certain companies are required to include a discussion in the auditor's report of the scope of the audit and how it addresses the identified risks of material misstatement. This could typically include the components selected for audit or for other types of procedures and the procedures performed on the remaining components; the coverage of revenue, total profits and tax achieved; the proportion of the number of locations visited by the auditor; the effect of the group structure on the scope of the audit and the extent and nature of the group auditor's involvement in the component auditor's work.</p>
35.	KPMG	<p>We support the IAASB's consideration of ISA 600 at this time in response to the feedback received by the IAASB as part of the ISA Implementation Monitoring Project that was completed in 2013, as well as input from regulators. (GA 1)</p> <p>We consider that a thoughtful reconsideration of ISA 600 will help to address the issues identified, while maintaining the useful material in the extant standard that we believe has improved audit quality since its issuance as a clarified standard in 2008.</p>

		<p>As the Board notes in the ITC, the current group audit model is driven by structural considerations, based on a hierarchy of separate legal entities, or geographic locations, which prepare separate financial reporting for consolidation. This approach, while still applicable to many groups, is difficult to apply to a number of group entities, or aspects of these, for example: (GA 1a)</p> <ul style="list-style-type: none"> • Shared services centers; • Entities with operations or that otherwise conduct business in multiple locations that do not meet the definition of components; • Entities that are registered in one jurisdiction for statutory purposes and have operations in another jurisdiction (“letterbox” entities); • Significant investments accounted for at cost or the equity method. <p>Furthermore, the increased sophistication of financial reporting processes often results in circumstances whereby much of the audit is performed at the group level by the group auditor and therefore identification of components, and application of the requirement for an audit of the financial information of the component may present challenges.</p> <p>We also highlight that mandatory auditor rotation / tendering in many parts of the world will increase the number of group audits that are performed by group auditors using the work of other auditors from a different network. This anticipated increase in the number of inter-network audits will challenge the concepts in ISA 600 today.</p> <p>Accordingly, we recommend that the IAASB consider whether the current model set out in ISA 600 could be adapted to include a more principles-based approach that focuses on using the work of other auditors, which does not place conceptual restrictions on multi-location entities that do not necessarily meet the current definition of a “group,” or aspects of which do not meet the current definition of “component”, since we believe this would better serve the needs of “group” auditors. We believe such a revised standard may help the group auditor, in particular, to:</p> <ul style="list-style-type: none"> • Assess the risk of material misstatement in accordance with ISA 315, irrespective of whether those risks reside in a component, a location, a shared service center, the group, or some other element of the corporate structure; • Respond appropriately to the risks of material misstatement in accordance with ISA 330, to obtain sufficient appropriate audit evidence, including consideration as to whether to use the work of another auditor to do so; • Use the work of another auditor to assist in assessing the risk of material misstatement, responding appropriately to those risks, and obtaining sufficient appropriate audit evidence; • Consider whether the auditor has sufficient involvement with the audit to take responsibility for the audit opinion on the group financial statements; and • Determine whether sufficient appropriate audit evidence has been obtained.
36.	PwC	<p>ISA 600 was designed to facilitate the decisions and judgements that need to be made by a group engagement partner and team to assist them in meeting the requirements of the ISAs. We support any changes that reinforce that principle in the standard. ISA 600 should not be viewed as an “over and above” other ISA requirements standard, nor should a group engagement team that complies with all requirements in ISA 600 have to try and determine whether there are other ISA requirements that may need additional consideration just by virtue of the engagement being a group engagement.</p>

		<p>We support the principle that all relevant ISAs are applied in a group audit. However, we acknowledge that questions sometimes arise about what this means given the range of work that may be undertaken in a complex group structure. We discuss our views on this in our response to question GA7.</p> <p>It is also important that the revision of ISA 600 brings clarity to the scope of engagements addressed by the standard. As explained in our responses to questions G1 and QC3, in our experience, it can be difficult to apply the ISAs to the broad spectrum of engagements that exist today given the variation in different organisational structures, particularly when the scope of ISA 600 is interpreted narrowly.</p> <p>As noted in our response to question G1, entities are becoming increasingly sophisticated, with increasing use of centralised functions, integrated systems, and technology. Approaches to scoping a group audit and 'sharing' audit evidence need to evolve. We believe the ISA needs to be sufficiently flexible to accommodate the range of different organisational structures and not inhibit effective approaches to the audit through unduly prescriptive requirements.</p> <p>In particular, we believe the Board needs to develop how the existing principle in paragraph 2 of ISA 600 should be applied to different organisational structures in determining the requirements that are appropriate in the circumstances. Overall, it may be helpful to clarify which ISAs need to (or may) be applied in certain circumstances or, as we explain in our earlier responses, consider whether development of a separate standard addressing the use of other auditors that are not component auditors may be a more effective mechanism in addressing the various considerations involved, including those we describe below with respect to centralised testing and use of SSCs. See also our response to question QC2(a)(i).</p> <p>As explained in our response to question G1, we believe the IAASB needs to directly address the question of work performed at the group level (or other centralised location, including SSCs) that may be used by component auditors to support their opinion to the group engagement team on the component's financial information and, where applicable, the statutory audit of the component. These considerations extend beyond ISA 600 alone and, although not explicitly within the scope of the group audits project, we believe the overlap of the issues is such that it is appropriate for the IAASB to address these questions in that broader context.</p> <p>For example, with regard to SSCs, we consider that it is reasonable to apply ISA 402 concepts to work done at a SSC, but not require compliance with all requirements of ISA 402. As previously noted, we believe quality of the work conducted at a SSC is best enhanced through responsibility resting with an appropriate partner overseeing the work performed at the SSC.</p> <p>Lastly, we believe there is merit in clarifying expectations of component auditors and that this is most effectively achieved through a separate section within ISA 600 addressing such requirements. We believe it is important that any such requirements are included within ISA 600, rather than a separate standard, to best present an appropriate mirroring of requirements and facilitate a mutual understanding of requirements between a group engagement team and component auditors. We believe a separate standard would pose risks to this mutual understanding and impair audit quality.</p>
37.	RBI	--
38.	RSM	While we believe it is generally understood that all ISAs are relevant to an audit of group financial statements a greater emphasis on this fact would be beneficial in clarifying this important point for those whom do not believe this to be so.
39.	SRA	--

Public Sector Organizations		
40.	AGC	We support the IAASB's interest to increase the emphasis in ISA 600 on the need to apply all relevant ISAs. We believe improving the emphasis in the requirements and application guidance of ISA 600, particularly for relevant ISAs such as ISA 220, ISA 315, ISA 320, and ISA 330, would improve the guidance for group audit. In addition, we believe guidance and examples in the application guidance should be considered to address identified challenges, such as addressing matters related to an entity's use of a shared service center.
41.	AGSA	<ol style="list-style-type: none"> 1. Yes, the IAASB must specifically state in ISA 600 what other ISAs will be applicable in an audit of group financial statements. Further to that, the specific ISA that is referenced to must also cater for the specific requirements that exist in a group audit. This will assist in order to apply the ISA within the range of circumstances. Additional emphasis should be made which will achieve the flexibility required. 2. ISA 600 already includes requirements per important audit area from a group audit perspective (as addressed in other ISAs, for example: over all audit strategy, understanding, materiality, responding to risks). It is not clear how this emphasis will make ISA 600 more flexible to apply to a wider range of circumstances. The definitions for group financial statements and components could be expanded and further explained in the existing application material to clarify when ISA 600 applies or not. The applicability of ISA 600 could also be further explained in the scope section of ISA 600, for example paragraph 2 that states that the ISA may be used where the auditor involves another auditor to perform work on their behalf.
42.	GAO	We support the IAASB's interest in increasing the emphasis in ISA 600 on the need to apply all relevant ISAs. We believe that improving the emphasis in the requirements and application guidance of ISA 600, particularly referring to the application of relevant ISAs such as ISA 220, ISA 315, ISA 320, and ISA 330, would improve the guidance for group audit.
43.	INTOSAI	We support the IAASB's interest to increase the emphasis in ISA 600 on the need to apply all relevant ISAs. We believe improving the emphasis in the requirements and application guidance of ISA 600, particularly for relevant ISAs such as ISA 220, ISA 315, ISA 320, and ISA 330, would improve the guidance for group audit. In addition, we believe guidance and examples in the application guidance should be considered to address identified challenges, such as addressing matters related to an entity's use of a shared service center and establishing expectations in relation to consolidations performed at the regional or segment level.
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	We see no reason to increase the emphasis in ISA 600 on the need to apply all relevant ISAs in an audit of group financial statements. As noted in our response to QC3, while we are aware the IAASB has considered recently the issue of making reference to another auditor in an auditor's report and concluded it was not conducive to audit quality, we believe this should be kept under review. While we agree with the IAASB's view, we believe that the changes announced by the PCAOB on providing transparency of 'other auditors' – the PCAOB definition is wider than the IAASB's definition in QC3(b) – may create an expectation of disclosure to which the IAASB will need to respond.

47.	AIC	--
48.	AICPA	The financial information of components and the consolidation process are elements of group financial statements, not the entirety, so we agree with emphasizing that all relevant ISAs apply, but as noted in our comments below terms such as “audit” of the component have been confusing and should be clarified.
49.	APESB	--
50.	CAANZ	<p>We believe that it is clear to auditors that in applying ISA 600, they also need to comply with the mandatory requirements of all ISAs. The feedback we received was supportive of the need to increase the flexibility of ISA 600. An issue that auditors face is that the business models used by entities develop more quickly than auditing standards change, which leaves auditors to extrapolate the principles in existing standards to situations that were not contemplated when the standards were developed. We believe that standard setters should focus on developing standards that contain clear principles that can be used when the models used by business change.</p> <p>The area which could be improved is the application guidance. Application guidance should be written to show how to approach the mandatory requirements in specific circumstances – those that commonly arise or are potentially confusing. Clearly showing the approach to applying the mandatory requirements in these scenarios can help practitioners to apply the approach to different and evolving scenarios. We do not believe the existing principles of the standard are wrong.</p> <p>We believe it would be beneficial to broaden the scope of ISA 600 to address using the work of other auditors in a number of circumstances including group audits, audits of shared service centres, audits of joint ventures and associates along with other common scenarios that may be identified. The principles in the current mandatory requirements do not need to change. However the standard will need additional application guidance to show the approach to applying the principles to these other scenarios.</p> <p>The responsibilities of component auditors when performing work which will be used by another auditor whether in a group situation or in another business model, also need to be clarified. In our consultations, participants were split between those who believe there should be a separate standard for component auditors and those who believe the clarifications can be addressed through revisions to ISA 600.</p>
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	We do not consider that the issues identified relate to component auditors not being aware that they have to apply all of the ISAs, but rather from not adequately adapting the work they conduct to address group risks and the specific needs and instructions of the group auditor. Likewise for the group auditor more specific requirements or application material is required to address the issues identified in the ITC. We are of the view that ISA 600 needs to address using the work of other auditors whether within a group structure or within some other structure, such as joint ventures, non-controlled entities or shared service centres.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.

57.	EFAA	<p>We support the actions and believe that this should increase the quality of group audits by reinforcing requirements and principles as long as unnecessary duplication does not result.</p> <p>EFAA does not support any actions that would result in the disclosure of the involvement of other auditors. We feel that there should be no such disclosure as it may imply sharing of responsibility when ultimately there is none.</p>
58.	★ FACPCE	<p>ISA 600, like the others, is a standard based on principles and in this sense, we believe that is properly addressed in the rule that an audit of a group is affected by applying all ISAs. The audit of business groups has been difficult from changes in the administration of these groups caused by the need to seek efficiencies in management. The shared service centers, in its different variants and degrees of maturation in implementation, are a challenge for auditors of a group as it can be complex to achieve an appropriate understanding of what activities have been centralized, where they are carried, what geographic coverage and which components have financial reporting frameworks manage, and proper assessment of the risks arising from this centralization. So the NIA 600 may have greater guidance to assist the auditor of the group to establish the most appropriate audit strategy to respond to the audit risks arising from the organizational and administrative structure of the entity; especially considering that this leads to the greatest amount of audit work done by a team located in different geography audit service center. In addition, consider that there may be component level statutory audit requirements and that in turn require relying on audit evidence to be obtained by the auditor shared services center. This leads to the need for improving the process of communication between the auditor of the group and of each of the different components, mainly including the auditor service center, to establish that audit evidence is required to obtain at each location or component.</p>
59.	FEE	<p>(23) ISA 600 Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) is not a standalone standard for group audits; it should be emphasised that all relevant ISAs have to be applied as well. It would be beneficial for instance to cross reference ISA 600 to ISA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment and ISA 330 The Auditor's Responses to Assessed Risks so as to help reinforce the need to consider the wider suite of ISAs. Practical sources of guidance and illustrative examples, to be developed outside of the standards, may also be key information, in most cases, to the development of better quality group audits.</p> <p>(148) Yes. Adding emphasis to the need to apply all relevant ISAs will reinforce the fact that ISA 600 is not a standalone standard for group audits. It is particularly important to illustrate how the different standards work together so that we alleviate any concerns that engagement teams performing group audits use only ISA 600 for guidance and compliance.</p>
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	<p>We support the IAASB's consideration of ISA 600 in response to the feedback received by the IAASB in previous consultations.</p> <p>As noted in the ITC, the group audit model in the current standard, while still relevant to many group structures, is difficult to apply in scenarios such as shared services centers, entities with operations that do not meet the definition of a component but still conduct business in multiple locations and significant investments accounted for at equity method.</p>

★ Responded to Overview questions of the ITC

		<p>One relevant challenge in our jurisdiction that is now having a greater impact in other parts of the world is the mandatory auditor rotation of certain entities (e.g. listed entities). This requirement increases the instances where a group auditor uses the work of auditors from a different network.</p> <p>We also believe that the introduction of ISA 701, that will require the auditors to communicate how it has addressed key audit matters, places additional challenges in group audits, including communication between the group engagement team and component auditor, in particular when latter play a relevant role in addressing these matters.</p> <p>We believe that a revision of ISA 600 should focus on a principles-based approach aligned with other ISAs, as opposed to a prescriptive stand-alone standard. In carrying out this revision, we believe that the standard should be clear on what aspects of other ISAs may not apply, or apply differently, to a group audit – e.g. reporting to group auditor in accordance with group audit instructions.</p> <p>A principle-based approach to group audit will allow more flexibility to address issues such as audit of share services centers, and operations in multiple locations that do not meet the current definition of a group or a component, especially in using the work of other auditors under these scenarios.</p> <p>We are generally supportive to the retention of the current requirement that the group auditor is responsible for the group audit. Notwithstanding this, we are supportive of initiatives that will provide more transparency in the group auditor's report around the nature and extent of the use of the work of other auditors.</p> <p>We also believe that an area where the prohibition of division of responsibility could be reconsidered is for audit of investees accounted by the group at the equity method. As noted by the ITC, limitations to the work of the group auditor may arise under these scenarios, since the group is not the controlling party of these entities. Mandatory rotation of auditors also increases scenarios where these investees are audited by networks different from the group auditor. Therefore, it might be preferable to stakeholders to allow a division of responsibilities with other auditors under these scenarios, rather than a scope limitation in the group auditor's report.</p> <p>In addition, we note that in Brazil entities are required to prepare separate financial statements in which subsidiaries, associates and joint ventures are accounted for at the equity method (known as 'individual or unconsolidated financial statements'). These financial statements are normally presented together with consolidated financial statements. We observe challenges in applying ISA 600 in auditing these separate financial statements, since the standard does not address certain issues such as the determination of significant components and component materiality for the propose of these financial statements and the interaction of these matters with the same consideration made at the consolidated financial statements level.</p>
63.	IRE-IBR	(88) Yes as ISA 600 requires compliance with all ISAs and is not a standalone standard. Adding emphasis to the need to apply all relevant ISAs will reinforce the fact that ISA 600 is not a standalone standard for group audits.
64.	ICAEW	<p>Yes, IAASB should increase the emphasis in ISA 600 on the need to apply all relevant ISAs in an audit of group financial statements. In principle, all of the possible actions have the capacity, depending on the specific changes proposed, to improve audit quality. These include:</p> <ul style="list-style-type: none"> • Emphasising challenges in assessing and responding to RMM at group level, including requiring component auditor to actively address these risks at the component level. • Emphasising the need for two-way communication with component auditors about identified risks. • Reinforcing the need to apply professional scepticism.

		<ul style="list-style-type: none"> Expanding on what appropriate responses and outcomes of the component auditor's work could be. <p>We do not believe that a new standard for auditors who serve as component auditors would be helpful because of the degree of inevitable duplication. We do believe that a separate section in ISA 600 to help group and component auditors, and regulators, understand the importance of the role of component auditors in group audits, and of active two-way communication, may be particularly useful to SMPs. Communication between group and component auditors is a key area in all group audits and ISA 600 cannot, and should not attempt, to specify either the demarcation, or the nature and extent of communications, both of which will vary enormously. Nevertheless, communications may well be improved through the provision of good quality examples and we attach ICAEW's Auditing Groups: A Practical Guide which contain numerous examples, including supplementary material with illustrations of reports provided by component auditors to group auditors.</p>
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	<p>We welcome the decision to revise ISA 600 in response to issues with group audits. However, key to the proper application of ISA 600 is the need to emphasise that it is not a stand-alone standard and to stress the need, in a group audit, for the auditor to consider and apply all relevant ISAs. For that reason, greater linkage between ISA 600 and the more detailed guidance in the most commonly used ISAs in a group audit situation will help reinforce this message.</p> <p>In terms of how ISA 600 should deal with some of the challenges posed by more complex organisational structures, this might be best done through a Practice Note (IAPN) or training material so as not to cause ISA 600 becoming overly cumbersome.</p> <p>However, it is also important to recognise that any application material, Practice Note or training material does not remove the need for the auditor to exercise professional judgment in relation to some matters.</p>
67.	ICAZ	Yes
68.	ICPAK	We do not think this is necessary.
69.	★ ICPAU	YES. This would achieve flexibility.
70.	★INCPC	<p>Yes, you should. We agree:</p> <ul style="list-style-type: none"> ISA 220 should provide further clarity on the definitions of: performance, direction, supervision, and review by the engagement partner either by strengthening the requirements or enhancing the application material that discusses the responsibilities of the engagement partner in relation to these matters. Adding the concepts in the AQ Framework (active involvement of the engagement partner along the whole audit process, either as requirements or application guidance. Identifying the risks to audit quality at engagement level and work in the responses to address group audit risks (ISA 600).

★ Responded to Overview questions of the ITC

		<ul style="list-style-type: none"> - Strengthening the requirements or enhancing the application material that discuss the responsibilities of the firm and the engagement partner in relation to decisions regarding acceptance and continuance of client relationships and specific engagements. - Clarifying that, as part of their responsibilities, engagement partners should be appropriately involved at all stages of the audit. - Adding an appendix to ISA 220 that indicates where the responsibilities of the engagement partner are articulated within the requirements and application material in the ISAs. - Considering the need to develop requirements or application material to specifically address situations where an engagement partner is not located where the majority of the audit work is performed. - Consideration could also be given to clarifying the expected performance requirements for individuals other than engagement partners who sign or who are named in the auditor's report. <p>The IAASB also should consider the development of guidance when group audits are performed by several audit firms and there is need of quality control by the group engagement partner over those engagements performed by others (component auditors).</p>
71.	ISCA	--
72.	KICPA	<p>We believe that whether ISA 600 is applicable or not needs to be clarified, including partial identifications of entities' situations where shared service centers are used. For this, we recommend IAASB improve relevant explanations and application material.</p> <p>Allowing for ISA 600 and all relevant ISAs in an audit of group financial statements to be appropriately related each other is useful to improving the convenience of those who perform engagements and ensuring the complete implementation of necessary procedures.</p>
73.	MICPA	--
74.	SAICA	<p>120. 69.0% of the survey respondents agreed that increasing emphasis in ISA 600 on the need to apply all relevant ISAs in an audit of group financial statements will increase the flexibility that is needed to allow for ISA 600 to be more broadly applied in a wide range of circumstances.</p> <p>121. Survey respondents also indicated that adding such emphasis will enhance consistency in the application of ISA 600.</p>
75.	SMPC	<p>We agree that it may be helpful to increase the emphasis in ISA 600 on the need to apply all relevant ISAs in an audit of group financial statements. However, we do not believe that this should extend to duplicating issues that properly belong in other ISAs.</p> <p>The proposal to develop a new standard for auditors who serve as component auditors is partly because it may be particularly useful to SMPs who may often operate in this capacity. We are, however, concerned that it may not be helpful because of the unavoidable level of duplication. However, we would support the IAASB considering a separate section in ISA 600 for component auditors.</p> <p>The SMP Committee agrees that the ISA 600 cannot be too prescriptive requiring the nature, timing and extent of appropriate involvement of the group engagement team in the work of component auditors. It is important that the principles-based nature of the ISAs is maintained.</p> <p>We do not support the IAASB exploring making reference to another auditor in an auditor's report. In our opinion, this may reduce the focus on the role and responsibility of the engagement partner and could affect the perception of audit quality as it may imply that the engagement partner is not as involved in the audit process. In addition, it may result in a lack of clarity over the responsibility of the</p>

		auditors on the financial statements. The group auditor's primary responsibility for the group audit opinion should not be diminished, even if the component auditors are also providing an opinion on the respective group components.
76.	WPK	--
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	All ISAs are relevant to the audit of group financial statements but repetition of (some/any) those requirements in ISA 600 is not recommended. Emphasis that all ISAs apply is supported
84.	JGrant	Personally I am surprised that people should be confused by what is meant by 'an audit of financial information of the component using component materiality'. This was quite clear to IAASB when it issued ISA 600 – it was an audit in accordance with the ISAs other than part of ISA 320 as materiality was prescribed by the group auditor. This could easily be clarified - I do not think that the old Board would agree with the possible action described in para 272 (b) (i) of the ITC!
85.	JK	--
86.	★ KKTuraga	The main problem is the selection of the right team with expertise and experience to handle the assignment which is lacking in all firms. The reason being cost increases and firm dilutes the expertise to reduce costs which in turn is impacting the performance of the audit which the standard has to explicitly prescribe to follow and then accept the assignment.
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA1. We plan to revise ISA 600 (and other standards as appropriate) to respond to issues with group audits.

(b) Would the actions we are exploring in relation to ISA 600 improve the quality of group audits? If not, why?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	We encourage consideration of practical matters affecting individual auditors, group auditors, and component auditors. We support clarifying roles and responsibilities, as well as, strengthening communication among those involved in an audit. We also support emphasis on audit firm accountability, access to reports and adequate documentation from auditors including focus on coordination of group audits and transparency of the audit.
2.	★ CalSTRS	CalSTRS concedes that group audits may present complex challenges with the use of component auditors spotlighting issues of jurisdictions with different cultures, languages, laws and regulations. Although a group financial statement review may utilize component auditors, it is important to investors to ensure communication and appropriate accountability. It is important that the lead group auditor is qualified and willing to accept full responsibility for the group audit opinion. CalSTRS believes the auditor's report should reference component auditors and their role in obtaining sufficient appropriate audit evidence to support a group audit opinion. We would also suggest the naming of the auditor in the audit report contain partners from the component auditors so investors fully appreciate the aggregate review.
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	The Investment Association supports the introduction of guidance that will increase the emphasis in ISA 600 of the importance of applying all relevant ISAs in a group audit. In this context, mandatory firm rotation is being introduced in Europe with the implementation of the Audit Regulation and Directive. However, Member States are not necessarily implementing the same time periods for rotation and there is an increasing likelihood that group audits will involve firms from outside the group auditor's network. We, therefore, consider it important that the IAASB not only addresses when and how a network firm can be relied on but also firms from outside the network where stronger quality control procedures may be necessary. It is helpful to investors when audit reports provide information about the nature and extent of the involvement of other auditors in group audits. Notwithstanding, it is important that the group engagement partner continues to assume overall responsibility for the audit. In summary, we believe that quality control in group audits needs to be managed more proactively at the group engagement level to ensure that the direction, supervision and review of other auditors involved in the audit respond to the risks to audit quality. Such an approach would ensure that the standards address the changing business environment.

★ Responded to Overview questions of the ITC

5.	★ICGN	Each auditor or other entity doing substantial work on the audit should be referenced in the auditor's report. The ICGN believes that requiring disclosures in the auditor's report about the role of other auditors in the group audit will provide more transparency about the audit and how it was performed so that users can evaluate the participation of other auditors.
6.	NZSA	As users of account we support any measures which will improve the quality and reliability of Group Audits. We do think greater transparency around levels of materiality involved in an audit, at the Group and subsidiary level, would be of interest to users and provide further evidence/information supporting the degree of reliance a user could place on accounts.
7.	★SAAJ	We believe the IAASB should consider to require auditors to include profiles of other auditors of major subsidiaries (for example, the name of the auditors and key financial figures including sales, total assets and so on) in the auditor's report or other disclosure documents. We expect that such additional disclosure should help financial statements users to obtain greater insights into audit quality of group audits, together with the suggestion in our answer to QC2 regarding enhancement of disclosures in transparency reports.
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ESMA	--
14.	H3C	--
15.	★IAIS	<p>While the IAIS supports the main actions explored in relation to ISA 600, the following specific aspects could be improved:</p> <p><u>Acceptance and continuance process of the group audit engagement</u></p> <p>IAS 600 should be clearer about the approach, the requirements to be followed, and the necessary documentation that should be developed by the group audit team when considering the acceptance or continuance of a group engagement.</p>

★ Responded to Overview questions of the ITC

	<p>The application material could be enhanced to better address:</p> <ul style="list-style-type: none"> – Restrictions on access, in particular to persons and information related to components; and – Impairment of the group engagement team's ability to rely on, or to be involved in, the work of the component auditors. <p>The need for the group engagement partner to consider the competence and capabilities of the component auditors, when considering the competence and capabilities of the collective engagement team performing the group audit engagement, could be better reinforced.</p> <p>The IAIS believes it would be appropriate for the terms of the engagement letter to include the group management's explicit agreement to provide the auditor with access to all information relevant to the group audit.</p> <p><u>Communications between the group engagement team and component auditor</u></p> <p>The IAIS is of the view that the requirements around communications within ISA 600 could be strengthened, in particular around the interactive communication required between the group engagement team and component auditor as the group engagement team plans, reviews and assesses the work performed by the component auditor.</p> <p>Two-way communication at all stages of the audit would enable the group engagement team to better understand if the instructions provided to the component auditor are relevant and have been fully understood and complied with. It may also help the group engagement team better understand the results of the procedures performed and assist them in evaluating the sufficiency and appropriateness of the audit evidence obtained for the purposes of the group audit opinion.</p> <p>Information sharing should be more than the group engagement team sending an instruction letter and the component auditor sending his/her clearance memo summarizing the work done and the overall conclusions at the end of the process. In the view of the IAIS, two-way dialogue and the exchange of information should take place throughout the audit process.</p> <p><u>Using the work of the component auditors</u></p> <p>According to the ISA 600, the group engagement team is required to be satisfied that those performing the group audit engagement, including component auditors, collectively have the appropriate competence and capabilities, comply with ethics and independence and are subject to a regulatory environment ensuring quality control.</p> <p>The IAIS is of the view that the standard should also require appropriate documentation and the application material should be made clearer about how to assess and document the required understanding by the group engagement team.</p> <p>The IAIS believes that prerequisites regarding competence of component auditors should be emphasised in the case of international groups, for which group entities may have to report to the parent company under an accounting framework different from the one used for local financial statements. Specific training of auditors may be necessary in certain cases.</p> <p>The IAIS also believes that IAS 600 requirements should focus more on the significant judgments that need to be made about the timing, nature and extent of the involvement of the group engagement team in work done by component auditors, and even more, the need for adequate documentation of these significant judgments.</p> <p>The standard should require the group engagement team to document how they have selected the forms of involvement among those listed in paragraph A55. Also regarding paragraph A55, it may be useful to add in a meeting with component management, the component auditor and group management to discuss the impact of the component auditor's findings on the component and the group audit.</p> <p><u>Identifying and assessing the risks of material misstatement in a group audit</u></p>
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		<p>ISA 600 does not contain guidance relating to the understanding of a group's components and the identification of significant risks in group audit engagements, the requirements to do so are included within ISA 315, and those would also be applicable to group audits.</p> <p>A more direct link to the other ISAs, and especially the relevant paragraphs in IAS 315, could be useful for reinforcing the importance of these requirements, as could the addition of application material to ISA 600 to help better support the application of the principles in ISA 315 in group audits.</p> <p><u>Issues relating to component materiality and other aspects of materiality relevant to group audits</u></p> <p>The determination of materiality in the context of the audit of group financial statements can be a difficult exercise given the need to design, apply and manage different materiality thresholds across the group. The IAIS believes the guidance on how component materiality and component performance materiality should be developed and applied could be strengthened, perhaps also introducing illustrative examples.</p> <p><u>Responding to identified risks of material misstatement in a group audit (including issues relating to the group engagement team's involvement in the consolidation process)</u></p> <p>The IAIS believes that it would be useful to make clearer the distinction of work done by the component auditor for the purposes of the group audit only and work done for stand-alone purposes, as this would provide more guidance on relevant considerations for the auditor in the different circumstances, in particular regarding the need to apply some or all ISAs. Considering the importance of the issue, it may be appropriate to develop a new standard specifically addressing the role of a component auditor.</p> <p>Where some balances are audited centrally or in the aggregate and 'pushed' down to the component, it would be beneficial to introduce additional guidance about the implications for the work being performed by the component auditor, including when standalone opinions are also required at the component level.</p> <p>In addition, it has been noted that the use of shared service centres also gives rise to other challenges in a number of areas, including how the audit procedures performed at the shared service centre can be integrated into the work performed by the group engagement team and the component auditors, and the form and extent of communication between the engagement team responsible for the work being done at the shared service centre and the other auditors. The IAIS believes that further consideration is needed as to how to better address issues around the use of shared service centres, including consideration of enhancing requirements and providing additional guidance for such situations.</p> <p>Also, the standard should make clearer that the group audit engagement team has to perform an assessment as to whether the remaining risks of material misstatement to the group financial statements related to 'residual balances' would be adequately addressed by work performed on significant components, selected non-significant components and through work performed at the group level. Although paragraph A53 of ISA 600 considers the situation where a group may be comprised of many components that are not significant, the guidance is not detailed enough regarding the approach and procedures to be performed.</p> <p><u>Review and evaluation of the work of component auditors by the group engagement team</u></p> <p>➤ Review</p> <p>The IAIS believes that the judgments that led the group engagement team to define the level of review of the audit working papers of the component auditor, and the intensity of the effort and procedures deployed in this review, should be documented.</p> <p>The IAIS agrees the extent of the review needs to be considered in light of the fact that the work of the component auditors is likely already reviewed by the engagement partner responsible for the work performed on the component, and that, all other things being equal, this review should not exceed the nature and extent of review by an engagement partner of another partner's</p>
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		<p>work in a non-group situation. However, this view must be considered with some caution because it assumes that the component auditor uses common policies, procedures and methodologies with those of the Group's audit team and that there is some evidence of review by the engagement partner responsible for the work performed on the component. This implies also that the review is conducted by members of the team with a sufficient level of seniority and experience.</p> <p>The IAIS also believes that additional guidance on the nature, timing and extent of the procedures that the group audit engagement team should perform on the work of the component auditor in different circumstances would be helpful.</p> <p>➤ Evaluation</p> <p>The IAIS believes that effective two-way dialogue is crucial for the group audit engagement team to obtain a full understating and all the necessary information to evaluate the findings of the component auditor, and their implications at the component level as well as the group level. These exchanges, and the judgment exercise in terms of the findings, should be appropriately documented.</p> <p>➤ <u>The Impact of New and Revised Auditing Standards</u></p> <p>The IAIS agrees there is a need to focus more explicitly on relevant considerations about group financial statement disclosures and intensification of KAM, in the requirements or the application material of ISA 600, including giving consideration to the relevance of components and the involvement of the component auditor.</p>
16.	IFIAR	See response to GA1(a)
17.	IOSCO	[see pp. 13–27 of comment letter]
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	See response to GA1(a)
National Auditing Standard Setters		
21.	AUASB	The AUASB shares the view that ISA 600 requires change to keep up with diverse business structures, jurisdictional challenges and practical implementation issues. Such change could be effected through additional requirements (particularly in the areas named in GA1(a)), enhanced or additional application material and could include further illustrative examples.
22.	CAASB	See response to GA1(a)
23.	CNCC-CSOEC	See response to GA1(a)

24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	See response to GA1(a)
26.	JICPA	Please see our comments below regarding the actions we believe could improve the quality of group audits.
27.	MAASB	See response to GA1(a)
28.	NBA	<p>The suggestion to enhance the link between ISA 600 and other relevant standards might indeed improve the quality of group audits. This applies especially to the link of the requirements as outlined in ISA 315 given the importance of the identification and assessment of risks of material mis-statement and the design of appropriate responses. Therefore we agree with the suggestion by the IAASB to expand on how a group engagement team is expected to apply the requirements in the standards related by identifying and assessing risks of material misstatement (including in relation to fraud), and responding to those risks.</p> <p>It does not seem to be necessary to develop a new standard for auditors who serve as component auditors. As this relates to specific responsibilities for component auditors and group auditors with respect to the audit of the components, these could easily be addressed in ISA 600, since this standard deals with communication between group auditors and component auditors including communication regarding the scope of the audit performed by the component auditor.</p> <p>We welcome the idea that the principles based nature of the ISAs should be preserved so that they continue to be “fit for purpose” as group structures continue to evolve. The standard should be so flexible that it allows the group engagement team to apply the requirements in a way that the audit of the group mirrors the structure of the entity, the organization of the audit firm(s) involved and the related circumstances. As indicated before, a more clear link to important principles in other ISAs and quality control requirements may help the group audit team to improve the quality of their group audit.</p>
29.	NZAuASB	The NZAuASB has indicated a number of areas in the questions below on Group Audits where clarification will be helpful.
Accounting Firms		
30.	BDO	As we noted in our answer to question GA1 (a) - greater clarity would aid group and component engagement team understanding (particularly in more contentious areas such as identification of components). With reference to the potential to adopt a ‘top-down’ approach to risk assessment outlined in paragraph 197, we would also ask that the IAASB consider incorporating a ‘step-back’ approach by group engagement teams to ensure that not only do they identify the risks of material misstatements that have been identified in the components (that could affect the group financial statements), but also that by stepping back to look at the distribution of balances or amounts and risks of material misstatements, the group engagement team can ascertain whether sufficient coverage of key financial statement areas is likely to be achieved.
31.	CHI	Yes.

32.	DTT	See response to GA1(a)
33.	EYG	<p>Yes, we believe the areas and topics related to group audits that the IAASB is exploring are those that are important to the quality of group audits. As it relates to the individual actions, we agree with many of these, while in some cases, we believe that these actions:</p> <ul style="list-style-type: none"> ▶ May not achieve the IAASB's objective of application to a wide range of group structures, and thus also may not allow ISA 600 to remain 'fit for purpose' over an extended period of time, or ▶ Do not appear to align with the integrated risk-based approach that we describe in our response to (d) below
34.	GTI	See response to GA1(a)
35.	KPMG	--
36.	PwC	See response to point (a).
37.	RBI	--
38.	RSM	We believe that the overall principles within the existing ISA 600 are sound and do not need signification alteration at this stage. However, improvements could be made to the guidance with respect to the identification of a component, addressing matters related to shared service centers, determination of group and component materiality, and situations where group management are not able to exert sufficient control over a component that is consolidated using the equity method.
39.	SRA	--
Public Sector Organizations		
40.	AGC	See response to GA1(a)
41.	AGSA	Yes, it would as there would be a clear indication from the requirements what is expected from the auditors and will provide more clarity regarding the processes to follow taking into consideration the various circumstances surrounding group audits.
42.	GAO	See response to GA1(a)
43.	INTOSAI	--
Preparers of Financial Statements		
44.	PAIB	--

Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	See response to GA1(a)
47.	AIC	--
48.	AICPA	<p>ISA 600 has an implicit view of a group as comprising components that are vertically consolidated and that there is a certain degree of control by the group entity. However, there are situations that do not fit that model, such as shared service centers or equity method investments. Our response focuses on a belief that ISA 600 should address, in one standard, the requirements when other auditors are involved in the audit (irrespective of whether the audit meets the definition of “group audit”), and appropriately responding to the risks of material misstatement in such situations.</p> <p>We believe that ISA 600 should provide requirements and application material on how an auditor, to obtain sufficient appropriate audit evidence, uses the work of other auditors in situations that include one or more of the following:</p> <ul style="list-style-type: none"> • Multiple locations (i.e. shared service centers) • Consolidated entities • Equity method investments • Fair value measurements <p>It would seem logical to presume that using the work of another auditor as evidence should have same implications regardless of the accounting principles applied; however, currently the auditing requirements differ based on the accounting method. Consider the following examples:</p> <ul style="list-style-type: none"> • A fund accounts for its underlying investment funds based on net asset value—In most instances, the investment is between 1 and 3 percent of the fund and the reporting entity cannot exert influence over the operations of the investment funds. Many have different year ends. The number of investments aggregates to a material amount. Some practitioners believe that these equity investments are, by current definition, “components” (and there is aggregation risk), ISA 600 applies, and the auditor is required to evaluate whether to communicate with all or any of the components. • Same general facts but the investments are accounted for at fair value—The investment is not considered a component, and there is no requirement for any communication with the component auditor. • Two entities—one has investments at fair value, the other at equity—same materiality—The auditor of one has to comply with group standard, including independence; the auditor of the other does not, even though the principal evidence—the audit report—is the same. <p>Consideration of these types of scenarios in revising ISA 600 would be most helpful. To the extent the focus remains on groups and components, we recommend considering a revised definition of a component to acknowledge the different structures discussed above.</p> <p>Concern has been expressed that the current standard requires certain procedures when financially significant components exist, and if the auditor chooses to obtain sufficient appropriate audit evidence through other means, the auditor is required to document that alternate procedures were performed. For example, the group auditor may choose to accumulate sufficient appropriate audit evidence through a combination of other audit procedures such as detailed testing by the group auditor, confirmation, analytics, reliance on a SOC report, or</p>

		agreed-upon or specified procedures. While these procedures are required to be documented, documenting that these were performed as alternate procedures and the justification for performing these instead of the others required by ISA 600 is cumbersome. We recommend revising ISA 600 to be less prescriptive and allow flexibility in the methods of obtaining sufficient appropriate audit evidence.
49.	APESB	--
50.	CAANZ	We believe that other than the need to expand the scope of the standard, and the need to clarify the responsibilities of component auditors (see our comments in GA4(a)(iii), most of the issues that exist in relation to the performance of group audits under the extant ISA 600 can be addressed through the development of application guidance.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	We support the actions in paragraph 198 in addressing those issues. We do not consider that there is a need to issue a new standard for component auditors and our stakeholders also oppose a new standard. Any additional material needed should be accommodated in ISA 600.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	See response to GA1(a)
58.	★ FACPCE	We share that the issues identified by the IAASB, and the actions proposed will help improve the quality of audits.
59.	FEE	<p>(149) We would welcome retaining as much information as possible in the standard itself provided that the standard is not enlarged so much as to be unwieldy and detract from its principles-based origins.</p> <p>(150) More practical sources of guidance could be developed and produced in the form of International Auditing Practice Notes (IAPNs) or Staff Papers for example. These practice notes and examples do not impose additional requirements on auditors beyond those included in the ISAs, but rather provide practical guidance on specific subject matters and could be semi-educational.</p> <p>(151) In addition, this type of guidance could produce 'application scenarios', possibly outside ISA 600. The complexities of international organisations are ever increasing. In the near future, there may be other developments and challenges arising from areas linked to group audits that would benefit from further guidance; a mechanism for addressing such needs without re-opening a complex standard might be a desirable option. Illustrative examples may be the key, in most cases, to the development of better quality group audits.</p>

★ Responded to Overview questions of the ITC

		(152) Also some of the guidance may well have application outside of a strict group scenario, e.g. those when addressing the entity's use of a Shared Service Centre (SSC) mentioned in paragraph 194; we believe that the use of SSC by clients might also be part of a statutory audit, and thus should not solely be a group audit issue.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	See response to GA1(a)
63.	IRE-IBR	<p>(89) Yes, providing that the standard is not enlarged so much so as to be unwieldy. Additionally, if the standard is more encompassing there may be a heightened risk that users will treat it as a standalone standard.</p> <p>(90) However, actions/requirements need to focus on a true enhancement of group audits while remaining actionable in the real world, i.e. that a cost/benefit/practicability analysis ends up being positive</p> <p>(91) One alternative option may be to consider whether guidance could be produced for any of the 'application scenarios' outside of ISA 600. The complexities of modern international organizations is ever increasing and there may be other areas of group audits that would benefit from guidance; a mechanism for addressing such needs without re-opening a complex standard might be a desirable option. Also some of the guidance may well have application outside of a strict group scenario e.g. those when addressing the entity's use of a Shared Service Centre (SSC) mentioned in paragraph 194; we believe that the use of SSC by clients might also be part of a statutory audit, and thus should not solely be a group audit issue.</p>
64.	ICAEW	ISA 600 is not broken. Changing ISA 600 will not necessarily change behaviour and those who do not comply now are unlikely to be compliant with a revised standard. Major causes of regulatory and practitioner concern over its operation relate to implementation and logistics. IAASB needs to think carefully about how it will evaluate the success of its changes.
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	See response to GA1(a)
67.	ICAZ	Yes
68.	ICPAK	We are doubtful.
69.	★ ICPAU	YES
70.	★ INCPC	Yes, they would improve quality of group audits.
71.	ISCA	--

★ Responded to Overview questions of the ITC

72.	KICPA	Most of actions, IAASB suggests in the paragraph 198 in relation with ISA 600, are expected to contribute to improving the quality of group audits.
73.	MICPA	--
74.	SAICA	--
75.	SMPC	See response to GA1(a)
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	Communications between group and component auditors remains difficult. Cultural and domestic paradigms still exist, despite our global economy. Including requirements or further guidance may assist the process for a consistent understanding, but this is a long term endeavor.
84.	JGrant	See response to GA1(a)
85.	JK	--
86.	★ KKTuraga	The human attitude and perceptions vary and leads to different interpretations leading to varied decisions affecting the quality of audit and results in litigations etc.
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA1. We plan to revise ISA 600 (and other standards as appropriate) to respond to issues with group audits.

- (c) Should we further explore making reference to another auditor in an auditor's report? If yes, how does this impact the auditor's work effort?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	We encourage consideration of practical matters affecting individual auditors, group auditors, and component auditors. We support clarifying roles and responsibilities, as well as, strengthening communication among those involved in an audit. We also support emphasis on audit firm accountability, access to reports and adequate documentation from auditors including focus on coordination of group audits and transparency of the audit.
2.	★ CalSTRS	CalSTRS concedes that group audits may present complex challenges with the use of component auditors spotlighting issues of jurisdictions with different cultures, languages, laws and regulations. Although a group financial statement review may utilize component auditors, it is important to investors to ensure communication and appropriate accountability. It is important that the lead group auditor is qualified and willing to accept full responsibility for the group audit opinion. CalSTRS believes the auditor's report should reference component auditors and their role in obtaining sufficient appropriate audit evidence to support a group audit opinion. We would also suggest the naming of the auditor in the audit report contain partners from the component auditors so investors fully appreciate the aggregate review.
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	The Investment Association supports the introduction of guidance that will increase the emphasis in ISA 600 of the importance of applying all relevant ISAs in a group audit. In this context, mandatory firm rotation is being introduced in Europe with the implementation of the Audit Regulation and Directive. However, Member States are not necessarily implementing the same time periods for rotation and there is an increasing likelihood that group audits will involve firms from outside the group auditor's network. We, therefore, consider it important that the IAASB not only addresses when and how a network firm can be relied on but also firms from outside the network where stronger quality control procedures may be necessary. It is helpful to investors when audit reports provide information about the nature and extent of the involvement of other auditors in group audits. Notwithstanding, it is important that the group engagement partner continues to assume overall responsibility for the audit.

★ Responded to Overview questions of the ITC

		In summary, we believe that quality control in group audits needs to be managed more proactively at the group engagement level to ensure that the direction, supervision and review of other auditors involved in the audit respond to the risks to audit quality. Such an approach would ensure that the standards address the changing business environment.
5.	★ICGN	Each auditor or other entity doing substantial work on the audit should be referenced in the auditor's report. The ICGN believes that requiring disclosures in the auditor's report about the role of other auditors in the group audit will provide more transparency about the audit and how it was performed so that users can evaluate the participation of other auditors.
6.	NZSA	As users of account we support any measures which will improve the quality and reliability of Group Audits. We do think greater transparency around levels of materiality involved in an audit, at the Group and subsidiary level, would be of interest to users and provide further evidence/information supporting the degree of reliance a user could place on accounts.
7.	★SAAJ	We believe the IAASB should consider to require auditors to include profiles of other auditors of major subsidiaries (for example, the name of the auditors and key financial figures including sales, total assets and so on) in the auditor's report or other disclosure documents. We expect that such additional disclosure should help financial statements users to obtain greater insights into audit quality of group audits, together with the suggestion in our answer to QC2 regarding enhancement of disclosures in transparency reports.
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	We note the discussion in paragraph 79 of the ITC addressing the inclusion of references to another auditor within the auditor's report. We support providing investors and other users with increased transparency, specifically where other auditors were involved in performing the audit. However, we would not support any action which contradicts the overall responsibility of the group auditor or creates an element of doubt as to who is responsible for the audit opinion. An option may be to include an enhanced scope section where the auditor is able to describe how they planned and performed the group audit. Further material on this topic is available from other jurisdictions where additional requirements supplement the ISAs; for example disclosure of the scope of the audit within the auditor's report in the UK and the PCAOB's requirements to disclose the names of other auditors that are involved in the audit.
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]

13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	<p>Making reference to another auditor in a group auditor's report may be perceived by financial statement users as reducing the group auditor's responsibility for the group audit opinion, and may contribute to users' misunderstanding of the role of the group auditor with respect to assessing the adequacy and appropriateness of the component auditor's work.</p> <p>However, in particular circumstances where the group auditor's access to either or both the component and the component auditor is restricted, the group auditor may have no choice but to use the component auditor's stand-alone report – and so making reference to another auditor in the auditor's report may be appropriate.</p> <p>Consequently, the IAIS believes any reference to another auditor in a group auditor's report:</p> <ol style="list-style-type: none"> 1) Should be strictly limited to unique circumstances; and 2) The group auditor's report should clearly explain those unique circumstances (e.g. restricted access to the component and/or to the component auditor) and the consequences resulting from the use of the component auditor's standalone report.
16.	IFIAR	See response to GA1(a)
17.	IOSCO	[see pp. 13 – 27 of comment letter]
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	No. Please see our response to QC2, which explains why we do not believe this should be further explored.
National Auditing Standard Setters		
21.	AUASB	<p>Auditor's reports naming the use of other auditors may cause confusion and is not seen by the AUASB to necessarily enhance audit quality but rather as a transparency tool. The AUASB considers that naming of other auditors could be viewed by users of auditor's reports as divided responsibility which may in the end impact negatively on perceptions of, or actual audit quality. The responsibility for the audit engagement ultimately lies with the engagement partner. Furthermore, the AUASB notes that naming of other auditors used in the engagement process was considered as part of the enhanced auditor reporting project and was not pursued further at that time.</p>

★ Responded to Overview questions of the ITC

22.	CAASB	The AASB does not support further exploring making reference to another auditor in an auditor's report. This issue was debated during amendments to the auditor reporting standards. The AASB is not aware of factors to suggest that this topic should be re-opened. Further a Canadian investor group indicated that adding this information to the auditor's report might be confusing for investors. This investor group supported the group engagement partner taking full responsibility for the engagement as a whole. Reference to another auditor may imply divided responsibility.
23.	CNCC- CSOEC	See response to GA1(a)
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	See response to GA1(a)
26.	JICPA	We do not think the IAASB should further explore making reference to another auditor in an auditor's report. Rather, we think the IAASB should explore whether greater transparency in the auditor's report about the involvement of other in the group audit may be beneficial. Please see our comment on QC 3(a) above.
27.	MAASB	We continue to support the principle that the group engagement partner retains overall responsibility for the group audit and opinion.
28.	NBA	We continue to support the principle that there should be no divided responsibility for the audit of the financial statements and in that perspective refer-ence to another auditor really does not provide more clarity or adds much value. We believe the standards should retain the principle of the group auditor be-ing responsible for the group audit. However, as part of extended auditor reporting, more insight into the work performed by component auditors, their contribution to audit evidence obtained and the involvement of the group auditor in the component auditors' work might provide relevant information to the user of the auditor's report. This can be described in the scope paragraph or as a key audit matter.
29.	NZAuASB	The NZAuASB does not support the reference to another auditor in the auditor's report. The overall responsibility of the audit engagement rests with the engagement partner.
Accounting Firms		
30.	BDO	This has the potential to be quite a controversial area, but on balance we would not object to further exploration by the IAASB of making reference to another auditor in the auditor's report (or at least consideration of how to incorporate the activities of the other auditor within the KAM section of the auditor's report). One of the primary aims of the new auditor's reporting requirements under ISA 700 Forming an Opinion and Reporting on the Financial Statements and other recently revised ISAs, was the need to provide greater transparency about the audit process and respective roles of management and the auditors. It is debatable whether providing a more explicit linkage to other auditors would provide further clarity or confusion for users of the financial statements. If the IAASB were to pursue this approach, they would need to consider the opinions of investor groups as part of any consultation to improve clarity.

31.	CHI	There should not be references to other auditors in an auditor's report. The auditor's report is the report of the appointed auditor. That auditor has to determine the procedures to conduct the audit and form the opinion. Those procedures may involve various forms of collaboration with other auditors. References to other auditors in the report could give the impression that part of the responsibility is being transferred to others. This is potentially misleading.
32.	DTT	See response to GA1(a)
33.	EYG	<p>Yes, we believe the IAASB should further explore making reference to another auditor in an auditor's report, but only in certain limited circumstances, and when not prohibited by law or regulation. Please see our response to QC3 under the heading of "Making reference to the report of another auditor" for our views.</p> <p>If such an approach is pursued, we believe that identification of circumstances for which such reference can be made and supporting requirements would be needed for the group engagement partner or team to determine that the other auditor's report is appropriate to be referenced. The supporting requirements should address, for example, evaluating the knowledge of the other auditor in the context of the relevant professional standards that apply to the audit as well as the other auditor's compliance with relevant ethical requirements.</p>
34.	GTI	See response to GA1(a)
35.	KPMG	<p>In adopting such a principles-based approach, we consider that the standard should retain the current overarching requirement that the group auditor is responsible for the group audit and that it is not appropriate for such responsibility to be divided in any way if other auditors are also involved in assisting the group auditor. (GA 1c)</p> <p>Notwithstanding this, we are supportive of the group auditor providing more transparency in the group auditor's report around the nature and extent of the use of the work of other auditors, as well as the support received from the systems of quality control at the Member Firm and network level. (GA 1c)</p> <p>We note one possible exception to our recommendation to continue to prohibit division of responsibility between multiple auditors: we believe the IAASB should reconsider whether, for example, in the case where the group is invested in an entity accounted for by the equity method, the ability to make reference to the work of another auditor might be preferable from a public interest standpoint to requiring a scope limitation when the group auditor is unable to be involved in the work of the other auditor to the extent required by ISA 600, and is therefore unable to obtain sufficient appropriate audit evidence related to the investee. We expect such cases to be rare, and suggest that this approach would apply only in the event that all other avenues to obtain sufficient approach audit evidence have been explored without success. (GA 1c)</p>
36.	PwC	<p>We continue to support the principle that the group engagement partner retains overall responsibility for the group audit and opinion and consequently are not convinced of the merit in further exploring making reference to the report of another auditor in the auditor's report, as described in the ITC. We believe the principle in ISA 600 paragraph 11, precluding reference in the auditor's report to the work of another auditor, unless required by law or regulation to include such reference, should be retained.</p> <p>The ISAs are based on the fundamental premise that the group engagement partner (or firm) is responsible for the group audit opinion and whether the auditor's report that is issued is appropriate in the circumstances. If the group audit report makes explicit reference to the report of another auditor, there is a risk this will be perceived as a division of responsibility, and imply that the group engagement partner is not responsible for the overall opinion expressed. It would be inappropriate to imply that the group engagement team may have</p>

		<p>a lesser responsibility for reviewing and evaluating the work performed by other auditors when that work contributes to the evidence necessary to support the group audit opinion.</p> <p>Based on experience to date, we do, however, see examples in practice where references to other (component) auditors may otherwise arise in an auditor's report – specifically in relation to describing the audit approach in a group auditor's report. We see a distinction here, but in such circumstances, care still needs to be taken in making reference to the role of component auditors to avoid the risk of perceived division of responsibility. Based on the requirement in ISA 600 paragraph 44, the group engagement team needs to be satisfied that sufficient appropriate audit evidence has been obtained. Therefore, any description that makes reference to the work of other auditors needs to be described in that context i.e., what it was the group team asked the component auditors to focus on, why that was important in the context of the group audit, and how the group engagement team became satisfied with the audit evidence obtained.</p>
37.	RBI	--
38.	RSM	<p>The inclusion of reference to another auditor in an audit report should not make any difference to the group auditor's work effort. For this reason we are neither strongly for nor against the inclusion of a reference to another auditor. However, from the perspective of the public interest we believe the IAASB should consider whether in the case of equity method components where the group auditor will not be granted access to audit evidence, the public interest would be better served by permitting reference to the report of another auditor rather than issuing a modified auditor's report for a scope restriction or not accepting the engagement at all in the first instance.</p>
39.	SRA	--
Public Sector Organizations		
40.	AGC	See response to GA1(a)
41.	AGSA	<p>No, the group audit report will be based on the audit reports of the various components. If significant matters were identified on a component level, it must be evaluated for materiality and inclusion in the group audit report. The normal audit principles must be applied. Only in instances where reliance cannot be placed on the other auditor's work, reference must be made in the group audit report. It should also provide a proactive approach to identifying and addressing the possible risks to the group audit making it unnecessary to include the reference to another auditor in the audit report.</p> <p>The group engagement partner takes full responsibility for the audit of the group financial statements.</p>
42.	GAO	See response to GA1(a)
43.	INTOSAI	--
Preparers of Financial Statements		
44.	PAIB	--

Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	See response to GA1(a)
47.	AIC	--
48.	AICPA	We not only agree with the further exploration of making reference to another auditor in the auditor's report; we support providing the ability to make reference. When the auditor is unable to assume responsibility for the work of the component auditor, due to access or other issues, the only option under ISA 600 is to modify the opinion. This outcome is not acceptable in all jurisdictions. In addition, in certain situations, such as large merger and acquisition transactions that occur late in the year, or with respect to non-controlled entities which, as noted in the response to GA13 below, is common in governments, the ability to assume responsibility may not be practical. In jurisdictions, such as the United States, where making reference is acceptable, actual usage of the ability to do so is very limited to challenging situations such as these. Making reference is a viable alternative that provides useful information to the capital markets. We believe that making reference provides transparency about the source of the audit evidence with respect to those components for which reference to the audit of component auditors is made. Consideration may be given for auditor's reports for listed entities to include, in the same spirit of transparency that requires Key Audit Matters (KAM) and partner signatures, the names of the firms that participate in the audit based on total hours, akin to the Public Company Accounting Oversight Board Form AP, Auditor Reporting of Certain Audit Participants.
49.	APESB	--
50.	CAANZ	We do not believe it is necessary to refer to the work of another auditor in the auditor's report. The group engagement partner is responsible for forming the opinion on the group financial report.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	We are opposed to reference to other auditors in the auditor's report as we consider that the engagement partner needs to retain responsibility for the audit opinion and that naming other auditors in the auditor's report may detract from that responsibility and may imply that they share that responsibility. Also refer to our response provided to QC3(a)(iii).
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	See response to GA1(a)

58.	★ FACPCE	We should not explore the division of responsibilities in the audit report because it does not consider helping improve the quality of audits. Rather, it could have a counterproductive effect. However, they could be incorporated guidelines to be considered by the group auditor when there were pressures or other limitations imposed by the circumstances preventing conduct an appropriate review of the audit carried out in one or more components. The typical example is the audit of a holding entity that has only shares in the capital of several entities located in different geographies but over which it has no control, and auditing of the components is carried out by other auditors who do not belong to network auditor of the holding company. In circumstances like this, ISA 600 does not provide guidance on how it should proceed the auditor of the holding company and eventually the division of responsibility in the report could be a way to avoid the qualification of the audit report by the limitation on the scope and even more if we consider that these circumstances could arise from a situation of forced rotation of the audit firm of the holding entity.
59.	FEE	(153) This matter was considered extensively when ISA 600 was last revised. It needs to be considered in light of the risk of undermining the group auditor's sole responsibility for the audit opinion. The most efficient way of including the work of another auditor may be, as mentioned in our response to question QC3 (iii), to make a general reference to the involvement of another auditor in the scope section of the auditor's report in explaining the audit approach. As stated in our response to QC3, whilst some explanation could enhance transparency as to the main auditor's approach involving other auditors/experts during the engagement, it could be seen as diminishing the auditor's sole responsibility.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	See response to GA1(a)
63.	IRE-IBR	(92) As mentioned in paragraphs (29) and (30) of this comment letter, the matter of referencing another auditor in an auditor's report might be worth exploring, without undermining the principle of the group auditor's sole responsibility for the audit opinion. The most efficient way of including the work of another auditor may be, as mentioned in our response to question QC3 (iii), to make reference to the report issued by another auditor to explain the other responsible auditor's involvement in general terms.
64.	ICAEW	The PCAOB has put in place provisions regarding the disclosure of 'others' involved in the audit on a searchable database but we remind IAASB that the current requirements are a far cry from the original proposals that were to require extensive lists of 'others' involved in the audit in audit reports, which would have added little but clutter. We caution IAASB against permitting those who lost that particular argument to use this as an opportunity rehearse it again. The debate was exceptionally unhelpful. More specificity regarding the disclosure in audit reports (or elsewhere) of the identity of component auditors or the 'proportion' of the audit they perform, absent context, would be unhelpful. IAASB's new reporting regime will, as in the UK, involve reporting on group audit issues as part of KAM, and as part of the scope of the audit. The focus of IAASB's efforts should be the on the quality of those audit report disclosures and whether they explain clearly to users how and why group auditors made the scoping decisions that they did.
65.	ICAP	[See p. 3 of comment letter]

★ Responded to Overview questions of the ITC

66.	ICAS	See response to GA1(a)
67.	ICAZ	No
68.	ICPAK	No
69.	★ ICPAU	NO
70.	★ INCPC	<p>Yes, you should further explore making reference to another auditor in an auditor's report.</p> <p>The group engagement partner is responsible for deciding for each component to either:</p> <ul style="list-style-type: none"> a) Assuming responsibility for the work of the component auditor b) Not assuming responsibility for and making reference of, the audit of a component auditor in the group auditor's report. <p>The group engagement partner should evaluate if there will be enough and appropriate evidence by each audit of the component to support their group opinion.</p> <p>Communication between engagements partners (group and components) should be efficient in order to coordinate the efforts that the teams must make so that there is appropriate evidence to support the opinion.</p>
71.	ISCA	<p>We believe that the actions the IAASB is exploring in relation to revising ISA 600 are useful to ensure consistent application of key audit principles and improve quality of group audits. Among the actions proposed by the IAASB, we are of the view that there would not be a need to make reference to the component auditor in the group auditor's report. Furthermore, with the impending introduction of key audit matters in the auditor's report, such additional information would cloud the auditor's report without adding too much value.</p> <p>To reiterate the above, the group engagement partner is ultimately responsible for the audit. Making reference to the component auditor would neither diminish his responsibility nor restrict his liability. Furthermore, information on the auditors of the group's subsidiary companies is already disclosed in the notes to the financial statements as required under the international accounting standards.</p>
72.	KICPA	<p>We think that the fundamental direction of the current ISAs that makes the group auditor fully responsible for the audit opinion of the group financial statements for the consolidation-focused IFRS and investors should maintain. As long as the current scheme of making the group auditor responsible, reviewing as to making reference to the component auditor on the group financial statement would be no necessary.</p> <p>Making reference to another auditor in the report in a bid to increase transparency on the use of another auditor's report could undermine the public interest, as who has the responsibility on audit opinion is not likely to be clarified. In case of group audits that have many components, making reference to another auditor in the report is expected to substantially increase audit engagement efforts, thereby relatively reducing audit hours that would be injected into professional judgments and collecting audit evidence otherwise, which will eventually make a negative impact on audit quality.</p>
73.	MICPA	--

★ Responded to Overview questions of the ITC

74.	SAICA	<p>122. 53.1% of the survey respondents indicated support for the IAASB to further explore making reference to another auditor in an auditor's report.</p> <p>123. Supporters of this proposed action indicated that it will promote more transparency to the users of the financial statements at group level so that they are aware of the instances where group auditors relied on the work of component auditors.</p> <p>124. Those who are not in favour of the proposed action indicated that the group auditor takes responsibility for the group audit opinion and adding any reference to another auditor may cause confusion in the market and detract from such responsibility. It could also make the auditor's report longer than is necessary if all component auditors in a complex group structure have to be listed in the report.</p> <p>125. This matter is also related to the discussion in paragraph 101 of the ITC (as part of the quality control section – Others involved in the audit). Refer to section Ag. of this comment letter (above) that discusses the possibility of using another auditor's report directly as audit evidence.</p> <p>126. If the IAASB explores these possible actions further, the standard should preferably deal with reliance on the audit opinion of a component auditor and reliance on the work performed by a component auditor separately as these two scenarios present different challenges. Extant ISA 600 deals with reliance on the work performed by a component auditor and it provides for an instance where the group auditor decides to use, for the group audit, the audit evidence on which the audit opinion of the component auditor is based, but with little application material or guidance for the latter. The standard makes no provision for relying directly on the audit opinion of another auditor.</p>
75.	SMPC	See response to GA1(a)
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	YES – this would help the parent entity auditor communicate to stakeholders how information was obtained and when they needed to rely on another auditor.
84.	JGrant	See response to GA1(a)

85.	JK	--
86.	★ KKTuraga	The quality review needs to be carried out by an independent expert/firm other than the audit firm doing the audit which brings out the deficiencies effectively in conduct of audit and can be rectified before signing the audit report to avoid legal suits etc.
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA1. We plan to revise ISA 600 (and other standards as appropriate) to respond to issues with group audits.

(d) What else could the IAASB do to address the issues highlighted or other issues of which you are aware? Why do these actions need priority attention?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	We encourage consideration of practical matters affecting individual auditors, group auditors, and component auditors. We support clarifying roles and responsibilities, as well as, strengthening communication among those involved in an audit. We also support emphasis on audit firm accountability, access to reports and adequate documentation from auditors including focus on coordination of group audits and transparency of the audit.
2.	★ CalSTRS	CalSTRS concedes that group audits may present complex challenges with the use of component auditors spotlighting issues of jurisdictions with different cultures, languages, laws and regulations. Although a group financial statement review may utilize component auditors, it is important to investors to ensure communication and appropriate accountability. It is important that the lead group auditor is qualified and willing to accept full responsibility for the group audit opinion. CalSTRS believes the auditor's report should reference component auditors and their role in obtaining sufficient appropriate audit evidence to support a group audit opinion. We would also suggest the naming of the auditor in the audit report contain partners from the component auditors so investors fully appreciate the aggregate review.
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	The Investment Association supports the introduction of guidance that will increase the emphasis in ISA 600 of the importance of applying all relevant ISAs in a group audit. In this context, mandatory firm rotation is being introduced in Europe with the implementation of the Audit Regulation and Directive. However, Member States are not necessarily implementing the same time periods for rotation and there is an increasing likelihood that group audits will involve firms from outside the group auditor's network. We, therefore, consider it important that the IAASB not only addresses when and how a network firm can be relied on but also firms from outside the network where stronger quality control procedures may be necessary. It is helpful to investors when audit reports provide information about the nature and extent of the involvement of other auditors in group audits. Notwithstanding, it is important that the group engagement partner continues to assume overall responsibility for the audit.

★ Responded to Overview questions of the ITC

		In summary, we believe that quality control in group audits needs to be managed more proactively at the group engagement level to ensure that the direction, supervision and review of other auditors involved in the audit respond to the risks to audit quality. Such an approach would ensure that the standards address the changing business environment.
5.	★ ICGN	Each auditor or other entity doing substantial work on the audit should be referenced in the auditor's report. The ICGN believes that requiring disclosures in the auditor's report about the role of other auditors in the group audit will provide more transparency about the audit and how it was performed so that users can evaluate the participation of other auditors.
6.	NZSA	As users of account we support any measures which will improve the quality and reliability of Group Audits. We do think greater transparency around levels of materiality involved in an audit, at the Group and subsidiary level, would be of interest to users and provide further evidence/information supporting the degree of reliance a user could place on accounts.
7.	★ SAAJ	We believe the IAASB should consider to require auditors to include profiles of other auditors of major subsidiaries (for example, the name of the auditors and key financial figures including sales, total assets and so on) in the auditor's report or other disclosure documents. We expect that such additional disclosure should help financial statements users to obtain greater insights into audit quality of group audits, together with the suggestion in our answer to QC2 regarding enhancement of disclosures in transparency reports.
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--

★ Responded to Overview questions of the ITC

15.	★ IAIS	<p>The IAIS would welcome future work focused on the following matters:</p> <p><u>New auditing standard for component auditors</u></p> <p>The IAIS supports the idea of creating a new auditing standard for component auditors, specifically to:</p> <ul style="list-style-type: none"> - Facilitate the group auditor's understanding of the component, the component auditor and their operating environment; - Better deal with issues arising from the component auditor's environment, such as differences in culture, business customs, laws and regulations, professional oversight, educational and training background, independence requirements, etc.; - Allow earlier identification of the situations where there is no reasonable way of obtaining sufficient appropriate audit evidence from the component auditor; - Foster the group auditor's involvement in the work of component auditors; - Make the two-way communication in the course of the audit more fluid; and - Address specific issues related to SMPs acting as component auditors, as well as to the situations where the component is a non-controlled entity. <p><u>The group engagement team's involvement in the sub-consolidations performed at a regional or segmental level</u></p> <p>In accordance to ISA 600, the group auditor should obtain an understanding of group-wide controls and of the consolidation process. However, the standard does not deal with situations where a part of the consolidation procedures and operations is performed at the regional or segmental level (sub-consolidation). The standard does not cover various issues arising from sub-consolidation cases, in particular the:</p> <ul style="list-style-type: none"> - Group auditor's understanding of consolidation processes performed at the sub-consolidation level; - Group auditor's involvement in the work of the component auditor acting at the consolidation level; - Highly specific segmental sub-consolidations, especially challenging when reviewing and evaluating the work of the component auditor acting at the sub-consolidation level (e.g. insurance sub-group consolidated by an ultimate banking parent company); - Complexity of information flows (between the ultimate parent, the sub-consolidation and the components); and - Interactions between group / sub-group / component materiality. <p>These issues could be addressed by:</p> <ul style="list-style-type: none"> - Revisiting the ISA 600's requirements pertaining to the group auditor's responsibilities in relation to sub-consolidations; and - Providing more application material to illustrate relevant issues and how those issues are expected to be addressed. <p><u>The group engagement team's involvement in the consolidation process</u></p> <p>The IAIS is of the view that ISA 600 includes appropriate requirements and application material addressing the understanding and evaluation of the consolidation process at the overall group level. However, the IAIS notes the consolidation processes are increasingly reliant on sophisticated software and applications using complex and large data warehouses and data marts. In this context, it may be appropriate to consider strengthening the link between IAS 600 and the paragraphs in ISA 315 relating to the understanding of internal control relevant to the financial reporting process.</p>
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16.	IFIAR	See response to GA1(a)
17.	IOSCO	[see pp. 13–27 of comment letter]
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	See response to GA1(a)
National Auditing Standard Setters		
21.	AUASB	Refer to response in GA1(a) above.
22.	CAASB	See response to GA1(a)
23.	CNCC- CSOEC	See response to GA1(a)
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	See response to GA1(a)
26.	JICPA	Most of the issues addressed in ITC seem to relate to the implementation of ISA 600. We therefore believe that it would be more meaningful to develop a non-authoritative guidance (such as a Q&A) than to add more requirements in ISA 600. Such guidance could include detailed descriptions of the situations observed and how the issues should be addressed. The ISAs should maintain the principle-based policy, and should be concise.
27.	MAASB	We believe that it is important to provide guidance on risk assessment and identification of components by the group engagement team and component auditors in ISA 600.
28.	NBA	<p>Since legal and organization structures are changing over time, the standard should address some of the issues raised in practice when performing the audit of “group” financial statements. Specific consideration should be given to the implications of shared service centers (SSCs) for (group) audits of financial statements, not only from the perspective of the group auditor, but also from the perspective of the local component auditor when auditing the component’s statutory financial statements.</p> <p>We recommend to provide more application guidance and examples as part of, or to split the ISA to describe various situations or scenario’s such as the audit of non-controlled equity investments, the usage of SSCs and audits where the group engagement partner is</p>

		not located where the majority of the audit work is performed (the existing Staff Audit Practice Alert about this subject can be used). Using such guidance for different scenario's, preferably in a table lay out, would make it clear for auditors to ascertain which situation is applicable and to clarify what requirements apply to each of the situations.
29.	NZAuASB	The NZAuASB has not identified any other actions to consider. A consistent view expressed by constituents is that there is a scope for application guidance, but not new requirements. The cost of compliance with increased requirements versus a possible increase in audit quality needs to be carefully considered.
Accounting Firms		
30.	BDO	<p>Additional areas of consideration by the IAASB could include:</p> <ul style="list-style-type: none"> • consideration of those occasions when auditors place reliance on other auditors and how their role and work feeds into the group engagement team's consideration at the group level; and • exploration of the minimum expected documentation requirements for the group file in relation to the evidence that exists in the files of significant components. <p>Both of these areas are open to wide interpretation by auditors and regulators. Providing guidance or additional materials to help clarify these areas may lead to an improved application of the ISA.</p>
31.	CHI	IAASB has highlighted the right issues and should proceed with the revision of ISA 600.
32.	DTT	See response to GA1(a)
33.	EYG	<p>Implementing an integrated risk-based approach to group audits</p> <p>We believe that one of the underlying issues with extant ISA 600 that causes challenges for auditors in determining whether they have achieved their responsibilities to direct and supervise the engagement, as well as in determining whether sufficient audit evidence has been obtained, is that it includes sub-sets of requirements on scoping, involvement, communication and documentation that appear to operate independently. We believe ISA 600 could benefit from an integrated risk-based approach that begins with the auditor's consideration of risks in scoping of engagements. Those same risks and decisions that drive scope should also drive the nature, timing and extent of involvement and communication with component auditors, as well as the nature and extent of documentation. Further, throughout the execution of the group audit, risks should be re-assessed when necessary and appropriate modifications made to the audit strategy.</p> <p>With a risk-based approach focused on the risks of material misstatement and how those risks are manifested in the group audit structure, we believe the auditor will be able to better demonstrate how the group audit approach was responsive to the risks of material misstatement, which will in turn better facilitate and support the auditor's conclusion that sufficient appropriate audit evidence has been obtained.</p> <p>We believe that an integrated risk-based approach to ISA 600 also includes:</p> <ul style="list-style-type: none"> ► Principles-based requirements that set forth objectives to facilitate auditors identifying the risks related to achieving the objectives

		<p>► Supporting application material that expands on the principles and objectives (with linkages to other ISAs as relevant), including examples of circumstances that auditors may encounter in group audits and approaches to addressing those circumstances that achieve the objectives</p> <p>Our comments in the specific questions in this Appendix related to group audit scoping, communication, involvement and documentation are provided in the context of this risk-based approach.</p> <p>Definitions of group and component</p> <p>We believe that ensuring ISA 600 applies to a wide range of group structures begins with taking a principles-based approach to the definitions of “group” and “component” that expands beyond the current boundaries of the entity’s legal and reporting structure and allows for audit teams to take into account both entity and audit operational structures in determining the scoping of their group audits. Such clarifications are also necessary to ensure that auditors understand more generally whether ISA 600 applies to an audit, especially for audits that may involve other auditors but not include a typical component structure of reporting entities (e.g., those that involve entity’s shared service centers).</p> <p>Similar to our views expressed in our response to QC3 regarding the definition of engagement team, we believe that bright lines should be drawn, when possible, to clarify which engagement participants fall within or outside the definitions of group engagement team and component auditor. For example:</p> <ul style="list-style-type: none"> ► In line with our view in QC4, we would expect that engagement participants from audit delivery models (ADMs) would be viewed as members of the engagement team that is responsible for their direct supervision, which could be either a component auditor or the group engagement team; we do not believe that engagement participants from ADMs should be defined as a separate category or type of component auditor. ► In line with our view in GA2, we believe that the IAASB should provide requirements and guidance within the ISAs (not within ISA 600) for auditing non-controlled equity investees that apply to all audits, when relevant, as the auditing challenges for these equity investees are not limited or specific to group audits. Accordingly, we would expect that such investees may not fall within the definition of component (or that the respective auditors would fall within the definition of component auditor). ► The definitions should accommodate a group engagement team also functioning as a component auditor(s). ► Consideration should be given to the definition accommodating component auditors at the sub-consolidation level (i.e., that are assigned the work related to several components within a sub-consolidation) (refer to our response to GA7(b)(iii)). <p>Summary of specific issues we believe should be addressed</p> <p>In addition to our support for implementing an integrated risk-based approach within ISA 600, we see the following specific issues, which we mention in several of our responses within this Appendix, as high importance for the IAASB to address in the scope of its group audits project:</p> <ul style="list-style-type: none"> ► Specific requirements and guidance for auditing non-controlled entities (e.g., equity investees), in particular to deal with issues around determining materiality, access to information, direction and supervision of the work, and obtaining sufficient appropriate audit evidence ► Clarifying the effects on the audit approach for group audits (and other audits) when the entity has implemented a shared service center to centralize the processing of certain transactions
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		► Addressing, in the context of component auditors that are within the same network as the group engagement team, how group engagement teams can demonstrate the basis for their reliance on common policies and procedures in determining whether to use (and the necessary involvement in) the work of the component auditors
34.	GTI	See response to GA1(a)
35.	KPMG	--
36.	PwC	<p>We believe it is important that the objective of ISA 600 is reinforced, with the focus of any revisions being on whether the group engagement team has obtained sufficient appropriate audit evidence as a basis for their opinion, rather than excess prescription in the process to be followed in obtaining that evidence. Too much prescription could lead to a compliance driven exercise of 'tasks' that need to be completed rather than a focus on how best to design the audit approach in the way that best brings audit quality in light of the entity's organisational structure.</p> <p>A focus on the structure of ISA 600 and the flow of requirements is also important – the current ISA can be 'challenging' in that regard. Its flow is different than that of other ISAs. For example, the group engagement team's involvement in the risk assessment (paragraph 30) of significant components is unhelpfully included in the responding to risks section. We believe there would be merit in moving identification (and definition of) components and risk assessment to be part of obtaining the understanding of the group. See also our response to question GA7.</p>
37.	RBI	--
38.	RSM	None
39.	SRA	--
Public Sector Organizations		
40.	AGC	See response to GA1(a)
41.	AGSA	<ol style="list-style-type: none"> 1. There must be a clear indication of the level of work that the group auditors need to do to obtain assurance that the work done by the component auditors can be relied upon. Also, the roles and responsibilities of both the component and the group auditors must be clearly stated. Communication between these auditors is crucial. 2. Paragraph 3 of the scope of the ISA states that the requirements of the ISA still applies in scenarios where all the entities are required to be audited by statute/ regulation. It is not clear how, for example, the requirements to identify significant and non-significant components and the group audit team's involvement in the component audit under these circumstances still apply equally.

42.	GAO	See response to GA1(a)
43.	INTOSAI	--
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	See response to GA1(a)
47.	AIC	--
48.	AICPA	We do not recommend a separate standard for component auditors as we believe the current model can, with appropriate revision, address the concerns raised in the post-implementation review. We believe the standards should be revised to address more clearly and distinctly when the audit is of a group, when the audit involves other auditors, and when the auditor is making reference to the report of a component auditor (if that notion is adopted.)
49.	APESB	--
50.	CAANZ	As a project to revise ISA 600 will be a longer term project, we believe the board should develop separate guidance on applying the extant ISA 600 to other common business models such as shared service centres and audits of joint ventures and associates and the responsibilities of component auditors. Even traditional group audits encompass a wide range of situations with various degrees of control and homogeneity of process or management of components, combined with various degrees of homogeneity of process or management of the auditor (for example the complexity of a group audit performed by the same firm in one country, the same firm in several countries, the same network in one country, the same network in several countries or a group auditor who has to use non networked/affiliated auditor for some components varies considerably). We have also had feedback that guidance on situations such as group audits where the components are divisions rather than subsidiaries or where the group audit team also performs one or more component audits would be welcome. Standalone guidance would assist practitioners performing these engagements and improve audit quality in a faster timeframe than can be achieved through the revision of the standard.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--

55.	CPAA	It would be helpful if the IAASB identified the various circumstances in which the work of another auditor is currently used, which would highlight the complexity of “group” structures and related entities and provide a clearer picture of the matters to be addressed in revisions to ISA 600.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	See response to GA1(a)
58.	★ FACPCE	The document has not given relevance as a factor that threatens the quality of group audits, rotation of audit firms, which is beginning to occur in different geographies and different rotation periods, with different implications depending on whether change is the group auditor or auditor of any of the components. The change of auditor produces a loss of acquired knowledge about the operations and risks of the entity, and the skills of the auditor of the components achieved by rotation.
59.	FEE	(154) We have no further comments.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	See response to GA1(a)
63.	IRE-IBR	(93) No further comments.
64.	ICAEW	No answer given
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	See response to GA1(a)
67.	ICAZ	N/A
68.	ICPAK	We believe developing guidance for component auditors would be helpful. It should be emphasised to local regulators that auditor rotation at a component level does not enhance audit quality at the group level. Local regulators should not demand auditor rotation where they are satisfied that auditor rotation takes place at the group level.
69.	★ ICPAU	NIL
70.	★ INCPC	None, which we can recall at the moment.
71.	ISCA	--

★ Responded to Overview questions of the ITC

72.	KICPA	We recommend IAASB conduct sufficient studies on the mismatch cases of applying ISA 600 in practice and their impacts accordingly, specified cases of undermining the application in practice and barriers thereof, and exemplary cases of application in practice, and then provide such results in a form of non-authoritative guidance.
73.	MICPA	--
74.	SAICA	<p>127. 82.1% of the survey respondents indicated that they do not believe that there are other actions that the IAASB can take to address the issues highlighted in this section.</p> <p>128. However some of the individual comments indicate that the development of a separate standard on the roles and responsibilities of component auditors should be considered or, alternatively, expand ISA 600 with respect to "Reliance on the work of other auditors" to pin down responsibilities of each auditor, as well as what documentation is needed as evidence of the reliance-decision.</p> <p>129. There was also an indication that additional guidance is required in the following areas:</p> <ul style="list-style-type: none"> ➤ Group and component auditor responsibilities where the group includes non-controlled entities. ➤ Guidance for joint auditors (not component auditors). ➤ Guidance for component auditors (specifically relating to additional documents /communications that need to be submitted to the group auditor and consolidation packs).
75.	SMPC	See response to GA1(a)
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	The IAASB should consider the different group structures that exist, including "horizontal" groups without a parent entity per se. ISA 600 is written in the context of a vertical group, yet the accounting standards drive consolidations of very different structures. This is particularly relevant for the private sector and certain regions of the world. A better understanding of these different structures would promote better audit guidance for communications, and better understanding of when references to another auditor's work might be needed.

84.	JGrant	See response to GA1(a)
85.	JK	--
86.	★ KKTuraga	There is no fool proof solution to all the audit issues but prevention is better than cure. Hence, IAASB has to carefully consider all the issues and address them with the right aptitude to ensure that audit quality of group audits are adhered to without any dilution.
87.	SDeViney	Continuing efforts for convergence of accounting and auditing standards – including group audit standards - will serve not only to reduce complexities and barriers to group audits, but also serve to reduce differences in perspectives across the profession.

★ Responded to Overview questions of the ITC

GA2. Acceptance and Continuance of the Group Audit Engagement

(a) Paragraphs 204–217 set out matters relating to acceptance and continuance of the group audit engagement.

- (i) Which of the possible actions outlined in paragraphs 215–217 would be most meaningful in addressing issues related to acceptance and continuance procedures?
- (ii) Why do you believe these actions are necessary?
- (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
- (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--

★ Responded to Overview questions of the ITC

Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	--
17.	IOSCO	<p><i>Acceptance & Continuance of the Group Engagement</i></p> <p>We agree with the general direction of the possible actions that the Board has outlined in paragraphs 215 and 216 of the Paper. We have outlined specific matters below to which we would like to draw the Board's attention as it considers the nature and extent of enhanced requirements and application material.</p> <p><i>Acceptance and Continuance</i></p> <p>A key consideration in acceptance should be whether the group engagement team can be adequately involved in planning and reviewing the work of the component auditor, which could be impacted if there are restrictions on the group engagement team's ability to access the component auditor's work. We agree with the comments in paragraph 215(e) of the Paper that suggest that ISA 600 should be strengthened to include more clarity on the types of circumstances that could lead to access issues and provide considerations of how some of the issues may be addressed. Related to this, we recommend that the Board make it clear that there may be circumstances where the restrictions or challenges relating to access are so severe such that it could result in a group engagement team determining that it cannot accept or continue an engagement.</p> <p>As part of providing clarity on the circumstances that could lead to access related issues, we think that the Board should acknowledge that there may be circumstances in which the group engagement team may not be permitted access to a particular foreign jurisdiction, which could result in the group engagement team having no option but to request that a component auditor perform work on the financial information of a component. In this scenario, additional guidance on factors to consider with respect to access, understanding and assessing the competence of the component auditor, as well as considerations of how the group engagement team can be sufficiently</p>

		<p>involved in the work of the component auditor (during the performance and the conclusion of the audit) at the acceptance and continuance phase would be useful.</p> <p>We agree with the Board that strengthening the link in ISA 600 to the requirements in ISQC 1 that address the firm's acceptance and continuance policies and procedures, and the requirements in ISA 220 that address the engagement partner's related responsibilities for quality at the engagement level would be helpful. Given that most of the requirements and application materials lie in ISQC 1 and ISA 220, the link would reinforce the need for the group engagement partner to consider the competence and capabilities of senior members of the component auditors when considering the competence and capabilities of the engagement team (comprising the group engagement team, the component auditor, and experts).</p> <p>We think that the Board should also include additional guidance in ISA 600 on how those standards (e.g., ISQC 1, ISA 220) are applied in group audit engagements. For example, the requirements and responsibilities of the group engagement team are the same as for any non-group audit. The Board should clarify that the group engagement team's responsibility to assess the professional competence of the component auditor does not differ regardless of whether the component auditor is, or is not, part of a network firm, or if the component auditor is performing procedures for a significant component or a not significant component. The Board should also provide clarification on the application of those requirements. For example, the Board could clarify that the group engagement team fails to meet the requirement to assess component auditor competence if the only work performed is documentation of a statement that the component auditor is part of the same network of firms as the group engagement team (or a component auditor of a differing network of firms that the group engagement team considers reputable). The additional assessment of the component auditor's competence as outlined in paragraph A38 of ISA 600 must also be performed.</p>
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	<p>We support the IAASB's proposals that ISA 600 should be strengthened in relation to addressing access issues as part of acceptance and continuance. Overall, we would support the IAASB's proposals in paragraph 215(e) to provide more guidance about the different circumstances that may lead to access issues (including how to obtain the necessary understanding prior to accepting the engagement) including providing some examples about how some of the issues may be addressed, as this application material will support auditors in identifying, through a QMA-EL approach, the risks to delivering a high quality audit, and putting in place appropriate responses to those risks.</p> <p><i>Access to evidence</i></p> <p>We also agree with the proposals to strengthen the links in ISA 600 to ISA 210⁴¹ and ISA 705 (Revised)⁴² regarding access issues in relation to obtaining sufficient appropriate audit evidence. In particular:</p> <ul style="list-style-type: none"> It is fundamental that management acknowledges that they have responsibility for preparing the group financial statements and for keeping the records necessary to enable them to do so, i.e. it is not the auditor's responsibility to obtain records on management's behalf. In this regard, we agree that greater prominence should be given to the link to ISA 210.6, which requires

⁴¹ ISA 210 Agreeing the Terms of Audit Engagements

⁴² Modifications to the Opinion in the Independent Auditor's Report

		<p>[group] management to agree with the pre-conditions for the [group] audit, including agreeing to provide the auditor with access to all information relevant for the [group] audit.</p> <ul style="list-style-type: none"> Where access issues do arise, and group management (or the auditor) cannot obtain the information necessary to support the financial statements, then it may be necessary for group management to inform the market through appropriate disclosure as it is in the public interest to do so. If the auditor concludes that they are unable to obtain sufficient appropriate audit evidence then the auditor is required to express a qualified opinion or disclaimer of opinion. In this regard, we agree that greater prominence should be given to the link to the requirements in ISA 705 (Revised). <p><i>Explicit conclusion that the performance responsibilities have been fulfilled</i></p> <p>We are not convinced that the possible action in paragraph 216 that implies the introduction of a requirement for the group engagement partner to make an “explicit conclusion” would be effective (particularly on its own) in ensuring that the group engagement partner can fulfil their responsibility relative to the engagement overall, including for the direction, supervision and performance of the engagement. We believe the group engagement partner would be encouraged to fulfil their responsibility more effectively by introducing a QMA-EL approach in ISA 220, the level of formality and documentation of which would be commensurate with the level of risks to audit quality.</p> <p>With regard to the specific question in GA2(b)(i) as to whether access issues are still frequently being experienced in practice, and if so, how these are being addressed today, our Audit Quality Review Team (AQRT) have noted that access issues do still arise in practice, but audit firms are demonstrating innovative ways to overcome such issues. One particular example identified by the AQRT was in relation to where regulation in a certain jurisdiction prohibited certain access rights to component information. In this situation, the firm was able to situate a partner of the firm in the jurisdiction in order to gain an understanding of the access issues and facilitate the group engagement partner in obtaining the necessary information about the component.</p>
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National Auditing Standard Setters		
21.	AUASB	<p>(i) The AUASB shares the view that ISA 600 requires change to keep up with diverse business structures, jurisdictional challenges and practical implementation issues. Such change could be effected through additional requirements (particularly in the areas named in GA1(a)), enhanced or additional application material and could include further illustrative examples.</p> <p>Associates, non-controlled entities and joint ventures which may be significant components but are not controlled by group management, continue to cause access issues in the Australian environment. The situation is compounded in jurisdictions that do not have similar legal and regulatory requirements to those in the jurisdiction where the group engagement team is located. In particular, privacy/confidentiality laws or regulations may have regulations that preclude information from being shared with a group engagement team. Application material could be further developed to address the specific circumstances that may cause such issues and provide some examples about how some of these matters may be addressed. Examples could draw from current practices that group engagement teams or component auditors have used to overcome access issues.</p> <p><i>Ability to Direct and Supervise</i></p> <p>The ability for a group auditor to direct and supervise the work of a component auditor in some situations continues to cause practical challenges in the Australian environment. An example of this scenario is where the component entity is listed in its own right and the component entity's financial report may not be prepared for the primary purpose of inclusion within the group financial report. Additional application material and examples of such practical challenges could be further explored in a revised ISA 600. In addition, there is a need for greater clarity and guidance in scenarios whereby the component entity is a listed entity where there are continuous disclosure requirements. Application material responsive to the timing of communications between the group and component engagement teams where there are continuous disclosure concerns is required.</p> <p>(ii) Nothing further noted.</p> <p>(ii) Nothing further noted.</p> <p>(iv) Nothing further noted.</p>
22.	CAASB	<p>The AASB and our Canadian stakeholders believe the following actions would be:</p> <p>Most meaningful:</p> <ul style="list-style-type: none"> • Strengthening the requirements in ISA 600: when not to accept the audit (para. 215(a)) – The AASB believes that earlier identification by the group auditor is important to bring to light when the preconditions of an audit are not present, particularly if the group auditor will not have access to the information or persons necessary in obtaining sufficient appropriate audit evidence. <p>Meaningful:</p> <ul style="list-style-type: none"> • Strengthening requirements for understanding of group / components / environment (para. 217) – The AASB supports this action in combination with the action in paragraph 215(b) below. The AASB believes understanding the group and the environment is vital to the risk assessment process. Emphasizing the need for professional skepticism when obtaining this understanding may also enhance better decision making around engagement acceptance and continuance. • Clarifying the existing application material in paragraphs A10-A12 (para. 215(b)) – See also our comments on paragraph 217. When practitioners are dealing with foreign jurisdictions, it may be especially important to understand the impact of business, regulatory and cultural differences. More guidance in this area will help practitioners assess implications of these differences on

		<p>the audit.</p> <ul style="list-style-type: none"> • More examples of access issues (para. 215(e)) – Providing more examples will help practitioners to understand what conditions should be considered when accepting a client and how those conditions may impact access to information. In particular, one Canadian stakeholder highlighted the need for guidance where the component is an investment accounted for by the equity method or is otherwise not controlled by the group and group management has little or no control to access component financial information. Further guidance for group auditors would be beneficial in this group scenario. <p>Not supported:</p> <ul style="list-style-type: none"> • Strengthening the link in ISA 600 to ISQC 1 (para. 215(c)) – The AASB does not believe this action will change current behavior because paragraphs 4 and 19(b) of ISA 600 already appropriately address the need to consider the competence and capabilities of the engagement team.
23.	CNCC-CSOEC	<p>As reminded in paragraph 204 of the ITC, audit engagements may only be accepted or continued when the engagement exhibits certain characteristics. In particular, and as described in paragraph 71, the engagement partner needs to establish that certain preconditions are present, the responsibility for which rests with management and, where appropriate, those charged with governance. These preconditions include obtaining agreement of management that it acknowledges and understands its responsibility to provide the auditor with:</p> <ul style="list-style-type: none"> (a) Access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters; (b) Additional information that the auditor may request from management for the purpose of the audit; and (c) Unrestricted access to persons within the entity from whom the auditor determines it necessary to obtain audit evidence. <p>In a group audit engagement, the group engagement partner needs to establish that these same preconditions are present before accepting or continuing with the engagement. If access to the required information or entity personnel is not, or will not be, available, there is a presumption that the group audit engagement would not be accepted or continued.</p> <p>Paragraph 208 of ITC gives examples of matters that may not be adequately considered or documented at the acceptance and continuance stage. We consider that this list of examples is too detailed. Moreover, the issues noted in this paragraph are not encountered for the majority of group audits, however, there are a number of jurisdictions that have privacy laws or regulations that are complex and in effect make access to information difficult, and in some instances impracticable. Furthermore, difficulty to access the information frequently arises where group management have limited control or leverage over the entities that appear within their financial statements, such as where the group has non-controlling equity investments or in ‘fund of fund’ structures. The standards recognize that auditors may face scope limitations and so standard setters will not be able to solve such issues, but should encourage legislators to act instead. Despite this, we consider that the IAASB could tackle this issue and include a requirement in the standard to require access to the group engagement team to the information that is considered necessary.</p>
24.	HKICPA	[see p. 5 of comment letter]

25.	IDW	<p>We comment on the possible actions identified in paragraph 215 as follows:</p> <ul style="list-style-type: none"> a) We agree that it would be helpful to provide guidance to support the current requirements surrounding the timely identification of situations that indicate that obtaining sufficient audit evidence could be expected to be difficult or subject to significant complexities. b) We agree that additional clarification of application material might be helpful, provided the IAASB recognizes that there is a considerable difference between the information that could be expected to be obtained prior to any engagement acceptance decision and that is required to be obtained as part of risk assessment procedures. c) ISA 600.12 already contains a reference to the requirements in ISA 220 in explaining the group engagement partner's additional responsibilities for acceptance and continuance in response to situations generally encountered in group audits. Guidance explaining how the two ISAs are intended to interact with one another in a group situation would be more appropriate than duplication of requirements. d) To the extent that lack of understanding has driven the problems explained in the ITC, we agree that emphasizing what the preconditions for an audit mean in a group situation in practical terms may be useful. However, no changes to ISA 600 will be able to rectify a group auditor's inability to obtain appropriate access, where legal provisions preclude such access. The IAASB needs to be sensitive to the fact that even when local law pertaining to a particular component may preclude an engagement team obtaining appropriate access, there may be a legal requirement in the parent company's jurisdiction for group financial statements to be audited; although not necessarily using the auditor in question. However, when appropriate access cannot be obtained, a disclaimer of opinion may be inevitable. e) We are not convinced that including examples denoting possible problematical scenarios within standards will prove particularly helpful. As noted in d) above, there may be situations where appropriate access cannot be obtained. f) Should the IAASB decide to enhance the requirements relating to suitability of component auditors, we believe that it needs to be clear that consideration of all factors in ISA 600.A33 collectively and not in isolation is needed. <p>We comment on the possible actions identified in paragraph 216 as follows:</p> <ul style="list-style-type: none"> a) Requiring a specific conclusion could be difficult, especially in regard to acceptance of new clients. ISA 600 needs to recognize that there is a considerable difference between the quality of information that could be expected to be obtained prior to any engagement acceptance decision and that required to be obtained as part of risk assessment procedures. Any required conclusion could therefore not be based on audit evidence, but on expectations. b) Although we believe that a requirement for a conclusion may not be appropriate, we agree that clarification in application material may be helpful in this context, particularly as regards expectations of documentation at the time the engagement partner makes his or her decision as to acceptance or continuance. <p>We agree that the possible actions in paragraph 217 may be helpful in some cases, but we believe it is important for the IAASB to acknowledge that the auditor's degree of understanding will be limited prior to acceptance of an engagement, as we have pointed out above.</p> <p>We are informed that situations are still encountered in practice that may preclude an auditor from obtaining appropriate access to necessary information. Where such situations are encountered, it may be impossible for the auditor to obtain sufficient appropriate audit evidence and thus a limitation of scope exists, such that a disclaimer of opinion will be inevitable.</p>
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26.	JICPA	<p>We believe the following actions would be meaningful:</p> <ul style="list-style-type: none"> ◆ <i>Strengthening the link in ISA 600 to the requirements in ISQC 1 that address the firm's acceptance and continuance policies and procedures and the requirements in ISA 220 that address the engagement partner's related responsibilities for quality at the engagement level (paragraphs 215 (c))</i> ◆ <i>Emphasizing that the agreed terms of the engagement include that group management agree to the preconditions for the group audit, including agreeing to provide the auditor with access to all information relevant for the group audit (paragraph 215 (d))</i> <p>We believe that the action outlined in paragraph 215(d) would be especially meaningful. In some cases, the access issues in implementing ISA 600 are caused by the group management's incomplete understanding of the preconditions for the group audit. For example, the group management may not fully understand which of the components in foreign jurisdictions cause the access issue. To ensure the effectiveness of the action outlined in paragraph 215(d), it would therefore be important to conduct education activities for auditors and group management to help them better understand the preconditions for group audits, in addition to including examples of situations to highlight the importance of considering their effects in the application materials in ISA 600 or in a non-authoritative guidance (such as a Q&A).</p>
27.	MAASB	<p>[i & ii] We recognise and broadly agree with the analysis of the issues set out in paragraphs 204 to 217.</p> <p>The actions identified in paragraph 215(e) – providing more clarity over the circumstances that may lead to access issues and examples of how they might be addressed – are those which in our view are of greater importance, given the increasing complexity of organisations and cross-border implications. We further explain our response on this matter in point (b)(i) below.</p> <p>We also believe that there are benefits in enhancing the required understanding of the group as a basis for acceptance, but also in benefiting downstream activities including component identification and risk assessment.</p> <p>It is also important to explore strengthening the connectivity between ISA 600 and ISQC 1 on the competence and capabilities of the collective engagement team performing the group audit engagement.</p> <p>[iii] We agree that there are challenges with respect to obtaining sufficient appropriate audit evidence for certain components. We support clarifying guidance related to acceptance and continuance considerations in such circumstances, but would however caution against setting requirements that could have the inadvertent effect of precluding the appointment of any auditor.</p> <p>[iv] See point (iii) above.</p>
28.	NBA	<p>(i) We recognize and agree with the analysis of the issues set out in paragraphs 204-217.</p> <p>(ii) The actions identified in paragraph 215(e) – providing more clarity over the circumstances that may lead to access issues and examples of how they might be addressed - are those which in our view are of greater importance, given the increasing complexity of organizations and cross-border implications. We explain further in response to point b)(i) below.</p> <p>We also believe there are benefits in enhancing the required understanding of the group – as a basis for acceptance, but also in benefiting downstream activities including component identification and risk assessment.</p> <p>(iii) We agree that there are challenges with respect to obtaining sufficient appropriate audit evidence for certain components, such as significant equity associates not controlled by the entity, or other issues relating to access by the group engagement team to the work of component auditors. We refer to item GA2 (b)(i).</p> <p>(iv) Not applicable.</p>

29.	NZAuASB	<p>(i) Feedback from constituents indicated that there is no need for any action. There are not many complex cross border multi location group audits conducted in New Zealand and the issues noted in the ITC are not really issues experienced here. Most of the New Zealand practitioners are component auditors.</p> <p>(ii) The NZAuASB has not identified the need for any action.</p> <p>(ii) The NZAuASB has not identified the need for any action.</p> <p>(iv) The NZAuASB has not identified the need for any action.</p>
Accounting Firms		
30.	BDO	<p>(i) We believe all of these possible actions are meaningful. In particular:</p> <ul style="list-style-type: none"> We agree that paragraph 215 (a) would enable group engagement teams to focus on issues concerning the lack of sufficient appropriate audit evidence at a much earlier stage and also provide for more transparency for those charged with governance. We support the planned approach in paragraph 215 (b) to provide more clarity for teams in the application materials on the understanding the group. As a network, we have created supplementary materials in this area and we believe it would improve the consistent application across firms to have more clarification on this area. Materials could be in the form of implementation guidance to determine if the minimum access and information is in place to gain sufficient appropriate audit evidence. These factors could be incorporated into the application material or implementation support accompanying ISA 600. We support strengthening the link outlined in paragraph 215 (c) between ISA 220 and acceptance and continuance matters (particularly relating to competence and capabilities of component auditors). We would ask that the IAASB considers the practicalities of any application material they create as this would need to take into account the assessment of what is deemed to be a component, and the data on which that decision is made differ between groups. We agree that as outlined in paragraph 215 (f), it would be helpful for the IAASB to share specific considerations in relation to those instances when component auditors have policies or procedures that differ from those of the group engagement team. We note the planned change in paragraph 216 (b) to require an explicit conclusion from the engagement partner regarding group engagement partner and group engagement team involvement in the overall engagement. We are wary of adding yet more specific requirements to the role of the group engagement partner, but we also recognize that this determination is critical to the successful performance of the group audit and as such would warrant an explicit conclusion at the outset of the audit. We support the possible action outlined in paragraph 217 of potentially strengthening the requirements and providing clarification about the requirement for an appropriately detailed understanding of the group prior to accepting or continuing a group audit engagement. <p>(ii) See our answers to GA2 (a) (i).</p> <p>(iii) None noted.</p>

		(iv) None noted.
31.	CHI	<p>[i] The actions that would be most meaningful are: Strengthening the link between ISA 600 and ISQC 1 and ISA 220 regarding acceptance and continuance policies;</p> <ul style="list-style-type: none"> • Addressing access issues; • Providing more specific considerations relating to assessing and working with component auditors; and • Strengthening requirements concerning the direction, supervision and performance of the work done by component auditors, including the documentation of the group auditor's considerations. <p>[ii] These actions are necessary to address known concerns regarding the application of ISA 600. Access to components is a recognised issue. In a traditional “parent / subsidiary” model jurisdictional access issues can arise. IAASB has recognised that there are access issues arising from structures such as associates, joint ventures and special purpose vehicles. The existing ISA 600 does not sufficiently address the practical interaction between the group auditor and component auditors. Regulators have raised concerns about the application of standards. In some cases, “checklist” approaches to relying on component auditors continue. The documentation of the assessment and the reliance on the component auditor can be variable. IAASB should take the opportunity to improve the standard in this area, as this will help auditors with the consistent application of requirements about collaboration of group engagements.</p> <p>[iii] The consultation paper has identified the issues and contains a lot of possible actions in this area. We have nothing further to add.</p> <p>[iv] We have nothing to add.</p>
32.	DTT	<p>DTTL considers the requirements and guidance currently provided by ISA 600 related to acceptance and continuance to be robust, and where appropriately applied should provide the GET with an acceptable basis for making the acceptance or continuance decision. However, DTTL supports the improvements suggested in paragraphs 215 – 217 of the ITC. In particular, DTTL agrees with the principles-based approach described in paragraph 216 with respect to the determination by the group engagement partner as to whether the group engagement partner and GET can fulfil their responsibilities (rather than any specific requirement for the GET to be directly involved in a certain percentage of the audit of the group).</p> <p>In addition, DTTL welcomes any additional guidance, as mentioned in paragraph 215(e) of the ITC, that the GET can apply when faced with potential restrictions around the access they may have to component management or component auditors (see additional discussion below). DTTL also believes that there is benefit in providing additional guidance with respect to the GET's consideration of the component auditors including the existence or absence of consistent policies and procedures as described in paragraph 215(f) of the ITC as there is currently a large degree of inconsistency in practice of how these factors are considered and responded to by the GET.</p> <p>Furthermore, in DTTL's experience access issues continue to be one of the greatest challenges to implementing the requirements of ISA 600. These frequently arise from legal and regulatory requirements in certain jurisdictions which restrict information flows or in some cases make sharing of detailed audit information practically difficult. A more specific example of access constraints is the situation where the component is not a controlled entity, resulting in less influence by group management over the component's management and consequently the ability for the GET to appropriately direct and supervise the component auditor. In practice, these situations are</p>

		<p>frequently addressed through relationships built up between firms within the jurisdiction with an informal understanding that cooperation in such situations is mutually beneficial. However, it obviously becomes more difficult to apply a similar approach where component auditors are from other jurisdictions and/or networks other than the GET's.</p> <p>The earlier that potential access issues are identified, the greater the likelihood that alternative solutions by the GET and/or group management can be identified and implemented. Early identification of such issues also mitigates the risk that the auditor concludes that they are not in a position to express an unqualified opinion on the group financial statements due to potential limitations in their scope caused by access issues. However, DTTL is conscious of the inherent limitations that may exist in obtaining sufficient information upon which to base acceptance or continuance decisions, particularly when accepting a new client, which are articulated in paragraph 215(b) of the ITC. In the context of the ability to access component information, the potential GET may not be able to or may be unlikely to have communications with the component management or the component auditors prior to engagement acceptance. Therefore, it may not be possible or practical to reach a final conclusion on whether the GET will have sufficient access until these formal communications and interactions are initiated as part of the planning the group audit. As a result, DTTL cautions against overly prescriptive requirements related to acceptance decisions that may not be achievable in practice. DTTL does support the view expressed that the potential group engagement partner should be gathering sufficient information to make the most informed decision in the circumstances. DTTL also echoes the sentiment expressed in paragraph 215(e) that amendments to ISA 600 will in most cases not be able to resolve the access issues.</p>
33.	EYG	<p>We believe the IAASB should pursue actions that result in the auditor having greater guidance and options within the ISAs for dealing with the access issues that are described in this section of the ITC; in particular, those related to non-controlled entities.</p> <p>However, we do not see the issues related to auditing investments accounted for on the equity method as only applicable to group audits nor do we believe that the primary method of dealing with access issues more generally should be through client acceptance and continuance processes. Implementing restrictions on acceptance and continuance due to access issues may result in certain groups or entities becoming incapable of being accepted by any auditor, which we do not believe is in the public interest. Instead, we have the following recommendations:</p> <ul style="list-style-type: none"> ▶ Many audits that are not group audits involve dealing with investments accounted for in accordance with the equity method for which management may not be able to facilitate auditor access to information or, in some cases, the auditor may have access to the auditor and information of the equity investee but may not have the ability to direct or supervise the audit work. Accordingly, we believe that the IAASB should provide requirements and guidance within the ISAs (not within ISA 600) for auditing non-controlled equity investees that apply to all audits, when relevant. This new guidance could set forth principles that could be adapted for group audits in which auditors experience access issues related to consolidated components, for example, due to secrecy laws. ▶ We support the IAASB exploring the ability for the auditor, where not prohibited by law or regulation, to refer to the report of another auditor in certain limited circumstances that primarily relate to access issues. As we express in our response to QC3, we believe allowing the auditor this flexibility is preferable to the auditor not accepting or continuing the engagement due to these access issues. <p>In addition to the above actions, we are supportive of the actions in paragraph 215(d) and (e) of the ITC to:</p> <ul style="list-style-type: none"> ▶ Emphasize that the agreed terms of the engagement include that management (and group management) provide access to all relevant information for the audit, and provide supplemental guidance on what constitutes appropriate access, especially in circumstances involving non-controlled equity investees or components where access is restricted by law or regulation

		<p>► Provide more clarity about the different circumstances that may lead to access issues, including specific examples</p> <p>Refer to (b)(ii) below for our further views related to dealing with access issues through enhanced requirements and guidance for acceptance and continuance.</p>
34.	GTI	<p>Groups of companies are structured in many and varied ways, often based on tax, legal or other business considerations. The jurisdictions in which the component entities of a group are located will each have their own laws and regulations concerning access to component entity management and books and records; component auditors; and audit working papers. We do not believe that strengthening the client acceptance and continuance requirements in such situations will address these issues. ISA 600 already requires that the group engagement team obtain an understanding of the group, adding examples in the application material of matters that the auditor should consider in gaining that understanding in order to determine whether the engagement should be accepted or continued, however, may assist the auditor with clarity around that decision.</p> <p>In the jurisdictions in which we have group engagements, our experience to date, has generally not identified issues with access to information from either component management or from the component auditor that we could not address. However, in situations where the working papers have to stay in their jurisdiction of origin there may be serious impediment to gaining access to those working papers. Access may also be challenging when the group does not control the component and only has significant influence, for example, components that are accounted for using the equity method. In those circumstances where the group engagement partner does not believe that it is necessary to physically visit the component auditor, or cannot access the component auditor's working papers, we believe that requesting a detailed memo with appropriate follow up discussions with the component auditors would achieve the same objective.</p> <p>We also question the value perceived by some stakeholders from the performance of a review of the component auditor's working papers by the group auditor.</p>
35.	KPMG	<p>We are broadly supportive of the proposals related to acceptance and continuance of the group audit engagement. In particular, we support strengthening the link in ISA 600 to the requirements in ISQC 1 that address the Firms' acceptance and continuance policies and procedures, and the requirements in ISA 220 that address the Engagement Partner's related responsibilities for quality at the engagement level. As we note earlier, we recommend that ISQC 1 and auditing standards clarify the extent of reliance that the Engagement Partner can place on the Firm or network's quality control systems in doing so and under what circumstances such reliance can be placed.</p>
36.	PwC	<p>(i) We recognise and broadly agree with the analysis of the issues set out in paragraphs 204-217.</p> <p>The actions identified in paragraph 215(e) – providing more clarity over the circumstances that may lead to access issues and examples of how they might be addressed – are those that in our view are of greater importance, given the increasing complexity of organisations and cross-border implications. However, as we note in our response to point (b)(ii) below, many of the issues stem from legal or regulatory requirements in a jurisdiction. Therefore, the extent of the IAASB's ability to take action in this area is likely limited to providing guidance on alternative actions that auditors may take in addressing the requirements of the ISA. Accordingly, and acknowledging that it is often not practicable for an engagement to be declined (see point (iii) below), we strongly encourage the IAASB to include guidance in ISA 600 on how to deal with requirements when access might be an issue. In the absence of division of responsibility, which as we have explained we do not support, how an auditor addresses the challenges of access, in particular for equity accounted entities, is a very significant current problem.</p> <p>We also believe there are benefits in enhancing the required understanding of the group – as a basis for acceptance, but also in benefiting downstream activities including component identification and risk assessment.</p>

		<p>(ii) See response to point (i).</p> <p>(iii) We agree that there are challenges with respect to obtaining sufficient appropriate audit evidence for certain components, such as significant equity associates not controlled by the entity, or other issues relating to access by the group engagement team to the work of component auditors. We support clarifying guidance related to acceptance and continuance considerations in such circumstances, however caution against setting requirements that could have the inadvertent effect of precluding the appointment of any auditor. The key issue is how the group engagement team can be satisfied that they have obtained sufficient appropriate audit evidence. Pragmatic solutions may be needed. We explore this issue further in response to point (b) below.</p> <p>(iv) See response to point (iii).</p>
37.	RBI	--
38.	RSM	<p>(i) We agree with the actions listed in paragraphs 215 to 217, in particular mentioned above we believe that enhancing the guidance on how to deal with situations where group management do not exert sufficient control over a component that is consolidated using the equity method.</p> <p>(ii) At present there is little guidance describing how to deal with situations involving equity method investments, which are not uncommon in practice.</p> <p>(ii) None.</p> <p>(iv) N/A.</p>
39.	SRA	--
Public Sector Organizations		
40.	AGC	<p>A legislative auditor may not have the option to decline or discontinue an audit. It is important and meaningful to acknowledge this public sector consideration. We support proposals to guide a group auditor by clarifying appropriate actions in situations involving the expected adequacy of sufficient and appropriate audit evidence.</p> <p>We believe ISA 600 should include guidance for applying relevant ISAs in the consideration of acceptance or continuance of the group audit and that changes should be focused on providing additional guidance to the group auditor rather than increasing requirements.</p>
41.	AGSA	<p>(i) Making a decision whether or not to accept an engagement is not applicable to the AGSA as we are mandated to audit. However this does not diminish the responsibility of the engagement partner to perform certain acceptance procedures in order to identify the level of engagement risk that is being dealt with. This risk assessment will then be used to determine the applicable safeguards that need to be applied in order to mitigate this risk. Therefore, the actions detailed in b and c will add a lot of value in assisting the group auditor to be able to make an informed decision on the approach of the audit and the post conservative manner to mitigate the identified risks on the audit.</p> <p>(ii):</p> <ol style="list-style-type: none"> 1. As explained under the previous comment, it is important to do these risk assessment procedures in order to identify the risk on the audit in order to design and apply the appropriate safeguards in order to mitigate these risks. It will also assist

		<p>to close the gap between ISA600 and ISQC1. The standards do not contain many detailed guidance on group engagements, there is a need to clarify in order to avoid confusion.</p> <p>2. More application material and a link to ISQC1 will provide the auditor with appropriate mitigating actions when deciding whether to continue with an engagement.</p> <p>(iii) The main issues were identified and explained. Furthermore, it could be useful if guidance could be provided on the auditor's actions in circumstances when the engagement has to be accepted by law.</p> <p>(iv) The only potential consequence to this is that the link to ISA 230 must also be made so that it is clear for the auditors what they need to document when performing the client acceptance procedures.</p>
42.	GAO	<p>Because of law or regulation, auditors in government do not necessarily have the option to not accept or not continue an audit. It is important to ensure that if a group auditor must accept or is unable to withdraw from a group audit, the group auditor is able to disclaim an opinion on the group financial statements.</p> <p>In our view, ISA 600 should include application guidance referring to all relevant ISAs in considering acceptance or continuation of the group audit.</p>
43.	INTOSAI	<p>Supreme audit institutions do not necessarily have the option to not accept or continue an audit due to law or regulation, so it is important to ensure that it is allowable in the requirements in the event that the group auditor has to accept or is unable to withdraw from a group audit that the group auditor is able to disclaim an opinion on the group financial statements. We believe ISA 600 should include guidance or requirements for applying all relevant ISAs in the consideration of acceptance or continuation of the group audit. We believe any additional changes for the acceptance and continuance of a group audit in ISA 600 should be focused in providing additional guidance to the group auditor in the application guidance rather than increasing the requirements.</p>
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	<p>In general, while such issues may have been identified in inspection findings, we do not see that their impact on audit quality is either widespread or significant. As such, we would not consider actions in this area to be a priority. We distinguish here between audit access to components and regulatory access to component auditors' working papers.</p> <p>With respect to the issue of audit access to components, which can occasionally be problematic given legal restrictions in some countries, we agree that access should be an explicit consideration during the acceptance and continuance process. However, in some cases, it may only become apparent that there is insufficient access once the group audit has been accepted. Should this be the case, we would recommend that firms are encouraged to explore alternatives to resigning the engagement, given that legal restrictions are likely to apply to any potential audit firm. For example, the firm could seek to influence those charged with governance to see whether any restrictions can be lifted. In exceptional circumstances, reference could be made in the audit report.</p>

47.	AIC	--
48.	AICPA	<p>In practice, issues of access can be distinguished between access necessary for auditor involvement, supervision and review, and issues of access to complete documentation. With regard to the former, in the age of technology, the meaning of access may be different. We recommend focusing on what is necessary to obtain sufficient appropriate audit evidence while performing appropriate supervisory and review procedures. Additional application material on the extent of involvement necessary to be able to serve as engagement partner would be helpful.</p> <p>Access to issues that relate to documentation may be more difficult to resolve. Jurisdictions may not allow foreign auditors the same degree of access available to management or to native auditors. Foreign auditors may have access to the evidence, but be limited in what they are allowed to include in the group audit documentation maintained out of the jurisdiction. Regulators in the parent jurisdiction often are not satisfied with the audit documentation in such situations (perhaps due to a different understanding of the standards?) While not accepting the engagement is an option, that option does not support effective functioning of the capital markets and as such we do not believe that this option should be viewed as the appropriate way forward when presented with such issues.</p> <p>Another issue to be considered in acceptance and continuance is the fact that not all components that ultimately need to be reported on may be known at engagement acceptance. The entity may have a late-in-the-year acquisition of an equity investment or business whose auditors have otherwise planned or executed the audit without consideration of the group.</p>
49.	APESB	--
50.	CAANZ	<p>(i) While the ideas explored in paragraph 215 are useful, we encourage the exploration of providing guidance rather than additional mandatory requirements wherever possible. Our members feel that continually expanding mandatory requirements drives a compliance mentality both in auditors and regulators and that this does not assist in improving audit quality. Any new mandatory requirements should be principles-based and not prescriptive and must be applicable for all size audits.</p> <p>We note that group situations are not limited to multi-national entities.</p> <p>(ii) See above.</p> <p>(ii) No further comments.</p> <p>(iv) Unintended consequences of more prescriptive requirements may include encouraging behavioural traits that focus on compliance and which run counter to the depth of thinking required for a quality audit. Also, there are already over 440 mandatory requirements in auditing standards. The cost of complying with an increased number or with increased prescription in mandatory requirements is not insubstantial. Any potential increase in audit quality would have to justify the cost of compliance. Any potential increase in audit quality also needs to take into effect the cumulative effect of additional mandatory requirements on an auditors' ability to apply appropriate time and judgement. This may be particularly pertinent to smaller firms of practitioners, sole practitioners or smaller audit engagements.</p>
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--

54.	CIMA	--
55.	CPAA	<p>(i) Whilst many of our stakeholders did not consider that there was a great need for changes to the requirements to clarify acceptance and continuance considerations for group audit engagements, there are a number of issues arising during engagements where evidence is required from components, equity investments, joint ventures or ADMs which would be better to be addressed when accepting or continuing the engagement. Of the actions identified in the ITC, respondents to our survey considered that the most meaningful would be:</p> <ol style="list-style-type: none"> 1. Requiring early identification of whether sufficient appropriate audit evidence is unlikely to be obtained and the appropriate response. 2. Identifying matters which need to be considered in obtaining a detailed understanding of the group, its components and their environments before deciding to accept or continue a group audit engagement. <p>The following actions may also be of some benefit, although less important than those identified above:</p> <ol style="list-style-type: none"> 1. Requiring group engagement partner assessment of the competence and capabilities of the component auditors. 2. Practical examples of how access issues may be overcome. <p>(ii) These actions would be of value in order to support the group auditor to devote adequate time and make enquiries necessary to gather sufficient information about the client and its components or other interests to make a better informed decision regarding whether to accept or continue the engagement.</p> <p>(iii) No further issues or actions identified.</p> <p>(iv) Caution is needed to ensure that the requirements are not too onerous on the auditor in gathering information regarding the client, components, other interests, component and other auditors prior to acceptance or continuance of the engagement, so that sufficient information is obtained without requiring an unreasonable time commitment prior to commencing the engagement.</p>
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	We are supportive of the IAASB's intentions to strengthen the requirements that pertain to acceptance and continuance of group audits and hence provide clarification for the reasons outlined in paragraph 217 of the ITC.
58.	★ FACPCE	--
59.	FEE	(155) We accept the issues that have been identified and the possible actions that are included in paragraphs 215 and 217 are well considered and seem sensible. However, given the issues noted, thought should be given as to whether the underlying causes are perhaps more linked to issues about application of the standards. We agree that high quality standards should enable effective application; however equally, poor application does not necessarily imply poor quality standards.

★ Responded to Overview questions of the ITC

		<p>(156) Paragraph 207 notes that the main issues have been identified during inspection findings and that regulators are concerned with respect to client acceptance.</p> <p>(157) It would be beneficial to split requirements between controlling and non-controlling investments of a group of companies that would be part of a group audit. ISA 600 could therefore feature a specific section applicable to the non-controlling ones.</p> <p>(158) In those entities, practical issues are sometimes encountered around the group engagement team's access to management, those charged with governance, or the local auditor when applicable.</p> <p>(159) We do not believe it is necessary for the IAASB to emphasize the need for an explicit conclusion as described in paragraph 216, given that a conclusion has already been made implicitly upon acceptance or continuance of the engagement.</p>
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	We are generally supportive of the proposals related to acceptance and continuance of the group audit engagement, specially providing a clearer linkage between ISA 600 and ISQC 1, regarding a firm's acceptance and continuance policies, and ISA 220, regarding the engagement's partner responsibility for quality.
63.	IRE-IBR	<p>(94) The possible actions that are included in paragraphs 215 and 217 are, in our opinion, already included with the ISA 600 and the suite of other ISAs. Given the issues noted, it would seem that the underlying problem is one of application and implementation and whilst clarifying and adding emphasis might help with implementation of the ISAs, as noted earlier, increasing the size of the standard might threaten usability. Therefore, we believe the IAASB should not focus only on increasing the material (requirements, application guidance) within ISA 600 but also focus on the practical implementation thereof.</p> <p>(95) Paragraph 207 notes that the main issues have been identified during inspection findings and that regulators are concerned with respect to client acceptance.</p> <p>(96) One difficult area of practice application is linked to non-controlling equity investments. Practical issues are encountered for the group engagement team to access to management, those charged with governance, or the local auditor when applicable. When an equity investment is a significant component, the group auditor will have to assess whether sufficient appropriate evidence can be obtained.</p> <p>(97) It is important to have a balanced approach to allocate appropriate responsibilities between the engagement partner/team and the client.</p> <p>(98) It is also necessary to acknowledge that teams might not be able to address all issues successfully and factor that in guidance (for example due to difference legal framework or impossibility to have physical access).</p>
64.	ICAEW	<p>(i) Reading the matters outlined in paragraph 85 of the ITC it is difficult to identify what is truly new, apart from the need to build in the impact of the QMA if that is introduced. We consider that further clear guidance for engagement partners might be helpful but this should be as part of a range of activities that enable them to carry out their role effectively.</p> <p>We are concerned that if too much emphasis is given to the role of the EQC reviewer (see answer to QC6), there might be confusion regarding the primary role and responsibility of the engagement partner and possibly a diminishing of this responsibility. This would be a detrimental, albeit unintended, consequence of those proposals.</p>

		<p>(ii) We are not aware that there is currently a lack of clarity regarding engagement partner responsibilities. We support spelling this out if this is considered by some to be helpful but we would not regard this as the IAASB's top priority.</p> <p>(iii) Key to the engagement partner carrying out his or her responsibilities effectively is having the commitment to quality and applying professional scepticism to the audits they have responsibility for. The matters covered in the earlier sections of the ITC are at least as important to achieving successful outcomes.</p> <p>(iv) No further comment (see above).</p>
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	<p>We agree that greater diligence needs to be exerted at the acceptance/continuance stage of the audit engagement to encourage the auditor to seriously question whether he/she can perform the audit and therefore should accept the engagement.</p> <p>We believe that the actions in paragraphs 215 and 217 are sensible and would be helpful in addressing issues related to acceptance and continuance procedures. However, some consideration should be given to whether the underlying causes relate to poor application of the current standards.</p>
67.	ICAZ	<p>(i):</p> <ul style="list-style-type: none"> a) Strengthening the requirements in ISA 600 to drive earlier identification by auditors of those situations. b) Strengthening the link in ISA 600 to the requirements in ISQC 1 that address the firm's acceptance and continuance policies and procedures, and the requirements in ISA 220 that address the engagement partner's related responsibilities for quality at the engagement level c) Emphasizing that the agreed terms of the engagement include that group management agree to the preconditions for the group audit, including agreeing to provide the auditor with access to all information relevant for the group audit. <p>(ii) These actions will result in the group engagement team to look at the group more holistically during client acceptance stage as they will need to take into account the components in their client acceptance decision.</p> <p>(ii) None</p> <p>(iv) None</p>
68.	ICPAK	<p>(i):</p> <ul style="list-style-type: none"> ➤ Strengthening the link in ISA 600 and the requirement in ISQC1 ➤ Emphasizing that the engagement terms apply include the group management <p>(ii) The actions would address issues related to acceptance and continuance</p> <p>(iii) No</p> <p>(iv) None noted</p>

69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	<p>(i) We believe that requiring the agreed terms of the engagement to include that group management agrees to the preconditions for the group audit, in addition to consents to provide the auditor with access to all information relevant for the group audit, would be most meaningful.</p> <p>In addition, we think that (a) improving application material as to specified circumstances where access issues take place, (b) provision of solutions thereof, and (c) more detailed considerations as to situations where the component auditor has different policies and procedures from those of the group engagement team, would be meaningful as well.</p> <p>(ii) Access issues are one of the most frequently raised issues in group audits, and certainly need to be resolved for the normal performance of the group audit engagement, not to mention for the acceptance and continuance of group audits, thereby making the action to resolve access issues most necessary.</p> <p>(iii) We believe that (a) revising the requirement to place greater emphasis on the need for an explicit conclusion that the group engagement partner and group engagement team can fulfill their respective responsibilities relative to the engagement overall, including for the direction, supervision and performance of the work done by component auditors, and (b) providing application material to support the revised requirement, in particular to emphasize the significance of the judgments, and highlight the importance of documenting the relevant considerations, would make the most substantial impacts in practice.</p> <p>In addition, the group engagement partner and group engagement team need to more appropriately consider what is related with the decision on the acceptance and continuance of group audits. It would also be necessary for IAASB to review the necessity of such action, in response to the respective regulator's request for strong documentation.</p> <p>However, current requirements of ISA 600 in relation with the acceptance and continuance of the group engagement is stipulated, as a form of principle-based approach, which makes very much challenging IAASB's efforts to further strengthen or emphasize the responsibility of the group engagement partner via revising the current requirements. The inspection findings detected by regulators could be caused by insufficient requirements, but mismatch in practice could be the main cause. We think most of the ISAs-related issues, including group audits, are triggered not by insufficiently strict requirements, but by mismatch in practice in relation with the application of requirements. Thus, it would be more effective to sufficiently consider details relating to the acceptance and continuance of the group audit engagement to ensure better compliance with the current ISA 600 principles and requirements in practice, and to provide, in a form of non-authoritative guidance, exemplary or insufficient cases where sufficient considerations are not made into the acceptance and continuance or documentation-related ones, which could better contribute to resolving mismatch issues in practice.</p>

★ Responded to Overview questions of the ITC

		(iv) Enhancing the involvement of the entity's management in access issues could be effective to deal with the issue, thereby making it possible to improve the awareness of the entity, components, and surrounding environments, which would end up with being greatly helpful to appropriately considering what is related with the acceptance and continuance of the group audit engagement.
73.	MICPA	--
74.	SAICA	<p>130. In terms of indicating which of the possible actions proposed by the IAASB would be most meaningful to address issues related to engagement and continuance procedures, the survey respondents indicated their preference for the following four actions [the most meaningful listed first, from (1) to (4)]:</p> <ol style="list-style-type: none"> (1) Strengthening the requirements in ISA 600 to drive earlier identification by auditors of those situations where there is:- No reasonable way of obtaining sufficient appropriate audit evidence, and clarifying what to do in such situations - Likely to be significant complexity or difficulty in obtaining sufficient appropriate audit evidence. (2) Clarifying the existing application material and providing additional application material, for matters that may need to be considered in obtaining an understanding of the group, its components and their environments, as well as the component auditors, and as required by paragraph 12 of ISA 600 (3) Emphasizing that the agreed terms of the engagement include that group management agree to the preconditions for the group audit, including agreeing to provide the auditor with access to all information relevant for the group audit (i.e., consistent with ISA 210). (4) Strengthening the link in ISA 600 to the requirements in ISQC 1 that address the firm's acceptance and continuance policies and procedures, and the requirements in ISA 220 that address the engagement partner's related responsibilities for quality at the engagement level <p>131. 93.1% of the survey respondents indicated that they do not believe that there are other issues that the IAASB should consider relating to this section.</p> <p>132. However the need to expand on roles and responsibilities of component auditors, including the auditors of joint ventures and associates was highlighted.</p>
75.	SMPC	<p>We believe that additional guidance could be added to support situations where there is likely to be significant complexity or difficulty in obtaining sufficient appropriate audit evidence, as well as for matters that may need to be considered in obtaining an understanding of the group, its components and the environment. In our opinion, group auditors need to be able to use their professional judgment about the work of component auditors and the quality of evidence provided.</p> <p>We are not sure that providing examples of how access issues may be addressed in the application material will be that helpful because these may largely depend on local regulation and the individual circumstances. We would, however, support these being included in non-authoritative material such as a Staff Questions and Answers (Q&A).</p> <p>The SMP Committee understands the intention of the Board is to strengthen the requirements covering obtaining a detailed understanding of the group, its components and their environments before deciding to accept or continue a group audit. However, it should be sensitive to situations where in certain circumstances an auditor may be unable to obtain information ahead of client acceptance, since such</p>

		information will often not be equivalent to the sufficient, appropriate evidence required during an audit. It may transpire during the audit that a limitation of scope exists and a disclaimer opinion will be issued.
76.	WPK	<u><i>Acceptance and Continuance of the Group Audit Engagement</i></u> We support the proposals related to acceptance and continuance of the group audit engagement. In particular we welcome strengthening the link in ISA 600 to the requirements in ISQC 1 that address the firms' acceptance and continuance policies and procedures, and the requirements in ISA 220 that address the engagement partner's related responsibilities for quality at the engagement level.
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	(i) Generally, I agree with the proposed actions subject to consideration of when reliance on the work of another auditor (and reference to another auditor's report) might be acceptable. (ii) There are many different types of group structures and access to information may not be possible. (ii) No comment (iv) No comment
84.	JGrant	--
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA2. Acceptance and Continuance of the Group Audit Engagement

(b) Specifically:

- (i) Are access issues as described in paragraph 207(a) still frequently being experienced in practice? If yes, please provide details and, where possible, explain how these are being addressed today.

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]

★ Responded to Overview questions of the ITC

11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	--
17.	IOSCO	[see pp. 13 – 27 of comment letter]
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	See response to GA2(a)
National Auditing Standard Setters		
21.	AUASB	Nothing further noted.
22.	CAASB	<p>The AASB and our Canadian stakeholders believe access issues as described in paragraph 208(a) do occur and therefore further guidance would be useful.</p> <p>One of our Canadian regulators raised the concern that access is still an issue especially where the group engagement team is not authorized to do audit work in a foreign jurisdiction and therefore a component auditor needs to be engaged. Additional guidance on whether to accept this type of engagement and the pre-conditions that should be evaluated before acceptance of this engagement should be added to ISA 600. This stakeholder believes this particular access issue was not adequately discussed in the ITC and should be included in this project.</p> <p>Another Canadian stakeholder raised the issue of equity invested components. Without access to the component or their auditor, the only financial information available is the audited financial statements and auditor's opinion. ISA 600 should provide guidance on how the audit opinion on the stand-alone financial statements can be appropriately used as audit evidence in these situations. See also our comment on paragraph 215(e) above.</p>

23.	CNCC-CSOEC	<p>Moreover, we have concerns about the suggestion included in the following paragraphs:</p> <p>– Paragraph 207 of the ITC</p> <p><i>« It has been noted in some inspection findings that there are situations where auditors give inadequate consideration to certain matters that may be relevant to the decision about whether to accept or continue a group audit engagement, and that the documentation of such considerations does not adequately reflect the decision-making process. In this regard, some regulators and audit oversight bodies and others are concerned that group engagement partners, <u>before accepting a new group audit engagement</u> or making a decision to continue an existing engagement, do not obtain a <u>sufficient understanding to be able to be satisfied that they can reasonably expect that sufficient appropriate audit evidence will be able to be obtained.</u>»</i></p> <p>We consider that requiring such understanding may be difficult to obtain in case of invitations to tender. We therefore consider that adding such a requirement is not appropriate.</p>
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	See response to GA2(a)
26.	JICPA	While some difficulties in practice arise from the access issues outlined in paragraph 208(a), we understand that they have been managed.
27.	MAASB	Access issues are somewhat still common, for example, in situations when the group has limited control of the component (equity associate and joint ventures). Within a network of firms, guidance could be provided on potential procedures that can be performed. Such procedures, may include, for example, accessing information kept by group management in relation to that component, understanding how group management monitors and evaluates the investment and ensures the financial information of the component has been correctly accounted for by the group, if the group has representatives who are part of the component's management or on the Board of Directors of the component, discussing the component and its operational and financial status with these representatives, examining other external information such as publications and analysts' reports. If the component is a public company by itself, external information will also include any filings made by the component.
28.	NBA	<p>Access issues are still experienced in practice, especially in the case of non-controlled equity investments. Practical issues are encountered for the group engagement team to obtain access to management, those charged with governance, or the local auditor when applicable.</p> <p>In current practice this matter is resolved, for example, if available, by accessing information kept by group management in relation to that component, understanding how group management monitors and evaluates the investment and ensures the financial information of the component has been correctly accounted for by the group, if the group has representatives who are part of the component's management or on the Board of Directors of the component, discussing the component and its operation and financial status with these representatives, examining other external information such as publications and analysts' reports. If the component is a public company by itself, external information will also include any filings made by the component.</p>
29.	NZAuASB	Feedback from constituents indicated that there is no need for any action. There are not many complex cross border multi location group audits conducted in New Zealand and the issues noted in the ITC are not really issues experienced here. Most of the New Zealand practitioners are component auditors.

Accounting Firms		
30.	BDO	<p>In our view there will always remain ongoing access issues and challenges about whether there has been sufficient involvement in the group audit by the group engagement partner and group engagement team. Audit firms have partially addressed access issues by:</p> <ul style="list-style-type: none"> • Encouraging or requiring group engagement teams and partners to review the work of component auditors based on certain criteria. • Putting in place guidance or alternative procedures in order to enable access to working papers in circumstances when privacy laws prohibit sending files across borders. <p>It should also be noted that access can be more difficult when the group engagement team and component auditors document their work in different languages.</p>
31.	CHI	<p>Anecdotally, we would agree that there are access issues in practice. As examples:</p> <ul style="list-style-type: none"> • The group structure includes entities such as associates, joint ventures or special purpose entities. In practice, the group auditor and group management collaborate to obtain sufficient appropriate evidence. However, resolving this may be more challenging than it needs to be, and judgments may have to be made about the audit evidence obtained. • There can be issues regarding access in specific jurisdictions. These might relate to national laws or regulation regarding the conduct of the audit profession, or data security. These can be overcome by the taking of proper advice about professional conduct in that country from a fellow network firm or other sources.
32.	DTT	See response to GA2(a)
33.	EYG	<p>Yes, access issues as described in paragraph 208(a) are being experienced in practice, mainly related to auditing investments accounted for in accordance with the equity method and other entities/components for which auditor access to information is limited by law or regulation.</p> <p>There is not a consistent manner of dealing with these issues; instead, the specific facts and circumstances of the access issue (or issues related to lack of involvement) are considered in determining the approach to address it (e.g., considerations may include the significance of the component or investment, the extent to which the component contains the assessed risks of material misstatement for the group, the timing of availability of audited information, the jurisdictions involved, the competence and capabilities of the auditors involved (network v. non-network)).</p>
34.	GTI	See response to GA2(a)
35.	KPMG	See response to GA2(a)
36.	PwC	Access issues are somewhat still common, particularly in situations when the group has limited control of the component (e.g., equity associate). Such investments might be significant due to size, but the group engagement team's ability to have the level of involvement

		<p>described in the ISAs for significant components due to size can be constrained because the group does not exercise control over that entity.</p> <p>Within our network, we currently provide guidance on potential procedures that can be performed. For example, if available, accessing information kept by group management in relation to that component; understanding how group management monitors and evaluates the investment and checks the financial information of the component has been correctly accounted for by the group; if the group has representatives who are part of the component's management or on the Board of Directors of the component, discussing the component and its operation and financial status with these representatives; and examining other external information such as publications and analysts' reports. If the component is a public company by itself, external information will also include any filings made by the component. As explained in our response to point (a)(i) above, guidance on these types of considerations in ISA 600 seems necessary.</p> <p>There are a few ways the IAASB could address these practical issues. A different audit approach may be appropriate to that expected in relation to other components that are significant due to size and fully consolidated in the group's financial statements. It may also be a limited circumstance when reference to the other auditor might be appropriate.</p>
37.	RBI	--
38.	RSM	None
39.	SRA	--
Public Sector Organizations		
40.	AGC	See response to GA2(a)
41.	AGSA	<ol style="list-style-type: none"> 1. The access to the information is not always the main reason for concern. What is a concern is the identification and communication of risks and the required actions to mitigate the risks. The auditors might identify what is required but fail to communicate what it is that they require in order mitigating the risks. The communication must be direct and clear and specific in what is being required. 2. There are instances where information is not available for audit, but not necessarily due to access not being provided to a component or premises. If information is not available for audit the requirements of ISA 705 are applied.
42.	GAO	See response to GA2(a)
43.	INTOSAI	See response to GA2(a)
Preparers of Financial Statements		
44.	PAIB	--

Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	See response to GA2(a)
47.	AIC	--
48.	AICPA	See response to GA2(a)
49.	APESB	--
50.	CAANZ	We understand that firms do still experience access issues. These issues are more problematic in joint venture and associates, which could be addressed by widening the scope of ISA 600 as discussed in our response to GA1(d).
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	In our dialogue with stakeholders, we note that the large national networks report access issues, particularly with respect to components in other jurisdictions, and whilst some of the largest international networks report less concerns, they still encounter some access issues. Some of these access issues relate to the willingness or ability of the component auditor to share information or working papers with the group auditor rather than access to the components themselves. Nevertheless auditors report that if access is restricted it may be necessary, rather than using the work of a component auditor, instead to use the group engagement team to conduct the audit procedures at the component.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	See response to GA2(a)
58.	★ FACPCE	--
59.	FEE	(160) The issues noted in paragraph 208 are not encountered for the majority of group audits. However, there are a number of jurisdictions with privacy laws or regulations that are complex and in effect make access to information difficult, and in some instances impracticable. This issue also arises where group management have limited control or leverage over the entities that appear within their financial statements, such as where the group has non-controlling equity investments or in 'fund of fund'

★ Responded to Overview questions of the ITC

		structures. The standards recognise that auditors may face scope limitations and so standard setters will not be able to solve such issues, but should encourage legislators etc. to act instead.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	See response to GA2(a)
63.	IRE-IBR	<p>(99) The issues noted in paragraph 208 are not encountered for the majority of group audits, however, there are a number of jurisdictions that have privacy laws or regulations that are complex and in effect make access to information difficult, and in some instances impracticable. This issue also arises where group management have limited control or leverage over the entities that appear within their financial statements, such as where the group has non-controlling equity investments or in 'fund of fund' structures.</p> <p>(100) Conflicting privacy and confidentiality laws often prevent access to the working papers. These are usually addressed through greater involvement of the group auditor. The issue of access to information/component auditor for equity-method investee remain a frequent issue to which satisfactory resolution cannot necessarily be achieved.</p>
64.	ICAEW	This matter could be addressed in application material highlighting that the person signing the report must conclude that there is sufficient and appropriate evidence to do so.
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	See response to GA2(a)
67.	ICAZ	None
68.	ICPAK	No
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	As far as we are aware of the fact that severe restrictions are still being made in practice into the group engagement team's access to the component management or component information, in case of access issues relating to entities using the equity method of accounting or affiliated entities where the power of controlling entities is not fully exercised, or in case of affiliated entities being considered significant

★ Responded to Overview questions of the ITC

		<p>in certain countries and residing in the certain countries that strictly prohibit the outflow of entities' information or audit documents outside the country.</p> <p>For one, some of the countries limit certain engagements of foreign CPAs within their territory and prohibit the outflow of related accounting information beyond the country, which makes it difficult for the group auditor to be directly engaged when necessary. In response to the cases, we are seeing in practice the continuous encouragement of the appointment of qualified component auditor, and strengthening the group auditor's risk assessment on components and his/her communication with the component auditor.</p>
73.	MICPA	--
74.	SAICA	<p>133. 55.6% of survey respondents indicated that access issues are no longer being experienced in practice. This is by no means a conclusive response, since 44.4% are still of the view that access issues remain a challenge.</p> <p>134. Some of the issues that are still being experienced include:</p> <ul style="list-style-type: none"> ➤ Gaining access to component auditor working papers where the component is a non-controlled entity. ➤ Access to information of joint ventures and associates where management do not control the component, but the financial information included in the group accounts are material especially where the entities are in different jurisdictions and local regulations do not allow for access to information before other shareholders can gain access.
75.	SMPC	See response to GA2(a)
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	<p>Problems with access are most difficult when a group acquires a component during the year, or close to the year end. This may happen with or without communication to the group auditor, particularly when the acquisition is considered sensitive or strategic. In these circumstances, the group audit has already been accepted but, if known, the new acquisition might have overturned that decision. Given the timing of the acquisition, the auditor is not able to resign, whatever the firm's acceptance policies might state, and the audit has to be</p>

		continued. These are practical issues that are not adequately considered in the guidance for client acceptance and continuance. They impact: <ul style="list-style-type: none"> - Availability of resources - (Re-)Assessment of audit risk - Revision to the audit plan - Communications with component auditors and local management - Planning for particular audit procedures
84.	JGrant	--
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA2. Acceptance and Continuance of the Group Audit Engagement

(b) Specifically:

- (ii) Do you agree that ISA 600 can or should be strengthened in relation to addressing access issues as part of acceptance and continuance?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]

★ Responded to Overview questions of the ITC

11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	--
17.	IOSCO	[see pp. 13 – 27 of comment letter]
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	See response to GA2(a)
National Auditing Standard Setters		
21.	AUASB	The AUASB shares the view that ISA 600 requires change to keep up with diverse business structures, jurisdictional challenges and practical implementation issues. Such change could be effected through additional requirements (particularly in the areas named in GA1(a)), enhanced or additional application material and could include further illustrative examples.
22.	CAASB	See response to GA2(b)(i)
23.	CNCC- CSOEC	<p>– Paragraph 215 (a) of the ITC</p> <p><i>"In discussing the responses to address the issues, we identified the following possible actions:</i></p> <p><i>(a) Strengthening the requirements in ISA 600 to drive <u>earlier identification by auditors</u> of those situations where there is:</i></p> <ul style="list-style-type: none"> <i>No reasonable way of obtaining sufficient appropriate audit evidence, and clarifying what to do in such situations (i.e., not accept or continue the engagement, or making it clear to management and those charged with governance that the result will be a disclaimer of opinion so that management can take any actions considered necessary, such as communicating with intended users of the financial statements); or</i>

		<ul style="list-style-type: none"> <i>Likely to be significant complexity or difficulty in obtaining sufficient appropriate audit evidence.”</i> <p>We believe that such an action may be ineffective in case of a change in the scope of consolidation or newly formed groups. We recommend that the IAASB provides examples to treat such cases rather than strengthen the requirements in ISA 600.</p> <p>– Paragraph 215 (e) of ITC</p> <p><i>« Providing more clarity about the different circumstances that may lead to access issues. Enhancing the application material for the specific circumstances that may cause problems and providing some examples about how some of the issues may be addressed may help auditors in addressing some known issues. It has been noted that one of the matters that might be addressed in determining whether to accept or continue an engagement is the effect of threats to personal safety that may be present in jurisdictions where a component auditor is located (e.g., including the effects of war or other unrest or outbreaks of hazardous diseases). Other examples could draw from current practices that group engagement teams or component auditors have used to overcome access issues (and we are interested in learning more about these). It is however acknowledged that some of the issues related to access result from situations that revisions or clarifications to the standards will not be able to resolve.”</i></p> <p>We consider that developing such a matter would result in situations where the group would become non-auditable. We therefore do not support this proposal.</p>
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	See response to GA2(a)
26.	JICPA	<p>We believe that ISA 600 can be strengthened in relation to addressing access issues as part of acceptance and continuance.</p> <p>At the same time, the enhancement as part of the acceptance and continuance stage is only effective when the stakeholders commonly accept and understand that the group engagement partner will not accept or continue an engagement, or express a qualified opinion or disclaim an opinion if he or she concludes that there is no reasonable way of obtaining sufficient appropriate audit evidence. The stakeholders should also understand that this is about an auditor's judgment and that the auditing standards impose no mandates to direct management judgment regarding the entity's investments. Therefore, in addition to revising ISA 600 or developing a non-authoritative guidance (such as a Q&A), it would be meaningful to conduct education activities for stakeholders to facilitate their understanding of the preconditions for a group audit and the outcome when no such preconditions exist.</p>
27.	MAASB	Many of these issues are driven by questions of law or the application of laws and regulations in a given jurisdiction. Therefore, these may be issues that standards cannot fully address. It may be better to place more emphasis on practical guidance on potential alternative procedures, rather than simply requiring to withdraw from (or not accept) an engagement when issues are identified.
28.	NBA	No, we do not agree. ISA 600 should be strengthened on this matter, but not as part of acceptance and continuance only. Many of these issues are driven by questions of law or the application of laws and regulations in a given jurisdiction. Therefore, these may be issues that standards cannot fully address. We recommend including further application guidance and examples as part of, or to provide guidance in ISA 600 with further scenario's. We refer to question GA2(b)(i) for possible solutions, to address situations described earlier.
29.	NZAuASB	The NZAuASB has not identified the need for any action.

Accounting Firms		
30.	BDO	On balance we believe that ISA 600 is sufficiently clear in terms of the need to ensure access as part of acceptance and continuance. We believe that the explicit statement at the outset of the audit is supportable, but we would not go further with respect to creating more requirements in this area.
31.	CHI	ISA 600 should be strengthened in this area. Auditors have to consider these issues at an early stage and determine how they might address these issues.
32.	DTT	See response to GA2(a)
33.	EYG	<p>Consistent with our view expressed in (a) above that implementing restrictions on acceptance and continuance due to access issues may result in certain groups or entities becoming incapable of being accepted by any auditor, we believe that care must be taken in determining the extent to which access issues influence acceptance and continuance decisions. Instead, we would prefer an approach that focuses on enhancements to ISA 600 (or other ISAs) that provide options and guidance for overcoming or addressing access issues. Nevertheless, we do believe some enhancements to the requirements and guidance can be made to assist in raising the auditor's awareness of potential access issues during the acceptance and continuance process.</p> <p>In regard to the proposals in paragraph 215(a), 216 and 217 of the ITC to strengthen requirements, we believe the principles-based requirement in paragraph 12 of ISA 600 (i.e., for the group engagement partner to evaluate whether the group engagement team will be able to obtain sufficient appropriate audit evidence) remains sound. We do not believe the requirement needs to be strengthened to include:</p> <ul style="list-style-type: none"> ► <i>Earlier identification of situations where sufficient appropriate audit evidence cannot be obtained, or there may be complexity or difficulty in obtaining such evidence.</i> We do not believe it is appropriate to add prescriptive requirements for the auditor to specifically identify access issues as part of the engagement acceptance and continuance process, as it may not be possible for auditors to consistently identify all issues in advance. We agree that the auditor inherently will be more knowledgeable in making client continuance decisions than in making client acceptance decisions, and that care must be taken in proceeding with any requirements related to acceptance decisions with which the auditor cannot practically comply due to limitations in the information available at the time the acceptance decision is to be made. ► <i>An explicit conclusion as to whether the group engagement partner or team can fulfill their respective responsibilities for the engagement overall, including for the direction, supervision and performance of the work done by component auditors.</i> We believe that the conclusions relevant to acceptance and continuance that are made in accordance with ISA 220 and the firm policies under ISQC 1 already implicitly include the conclusion that the group engagement partner or team expects to be able to fulfill their responsibilities. Rather than an explicit conclusion, it would be more helpful to have guidance about the auditor's consideration, as part of the client acceptance and continuance process, of whether adequate supervision and review can be achieved. <p>Although we are not in favor of strengthening the requirements, we believe it is worth considering whether to restructure them to separate the requirement to understand the group and its components from that to evaluate whether the group engagement team will have sufficient involvement. This restructuring may better facilitate providing application material as suggested in the possible actions to emphasize the importance of these activities (including their role in assisting in the identification of potential access issues) and their relationship to client acceptance and continuance conclusions.</p>

		We also support the proposed action to increase the linkages in ISA 600 to the requirements in ISQC 1 and ISA 220 related to acceptance and continuance.
34.	GTI	See response to GA2(a)
35.	KPMG	See response to GA(a)
36.	PwC	As explained in response to point (a) above, it is reasonable for the ISA to acknowledge such issues as part of acceptance and continuance. However, many of these issues are driven by questions of law or the application of laws and regulations in a given jurisdiction. Therefore, these may be issues that standards cannot fully address. It may be better to place more emphasis on practical guidance on potential alternative procedures, rather than simply requiring the auditor to withdraw from (or not accept) the engagement when issues are identified.
37.	RBI	--
38.	RSM	None
39.	SRA	--
Public Sector Organizations		
40.	AGC	See response to GA2(a)
41.	AGSA	Yes, for reason explained above.
42.	GAO	See response to GA2(a)
43.	INTOSAI	See response to GA2(a)
Preparers of Financial Statements		
44.	PAIB	--

Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	See response to GA2(a)
47.	AIC	--
48.	AICPA	See response to GA2(a)
49.	APESB	--
50.	CAANZ	Other than widening the scope of the standard, it would be preferable to explore additional guidance rather than additional mandatory requirements in relation to this issue.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	We support the strengthening of ISA 600 in relation to access issues identified during the acceptance and continuance phase. We note that this is called for more from SMPs rather than the large international networks.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	See response to GA2(a)
58.	★ FACPCE	--
59.	FEE	<p>(161) Although the requirements already require the auditor to make such assessments, we acknowledge the statement that regulators find that inadequate consideration is made in practice and/or that documentation is insufficient. Strengthening the requirements may go some way to improving this area, as well as giving more guidance wherever possible.</p> <p>(162) We also note that, although required by Article 27 of the Statutory Audit Directive applicable in the EU, national laws and regulations in relation to professional secrecy of statutory auditors and audit firms; certain EU Member States are not conducive to make auditors of components or subsidiaries share information with the group auditor. This has been experienced especially in cases where the group and component auditors are not of the same audit network. This accessibility issue is exacerbated when the component is based outside the EU.</p>

★ Responded to Overview questions of the ITC

60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	See response to GA2(a)
63.	IRE-IBR	<p>(101) Although we believe that the requirements already require the auditor to make such assessments, we acknowledge the statement that regulators find that inadequate consideration is made in practice, or that documentation is insufficient. Strengthening the requirements may go some way to improving this area.</p> <p>(102) We also note that, although required by Article 27 of the Statutory Audit Directive applicable in the EU, national laws and regulations in relation to professional secrecy of statutory auditors and audit firms in certain EU Member States are not conducive to make auditors of components or subsidiaries share information with the group auditor. This has been experienced especially in cases where the group and component auditors are not of the same audit network. This accessibility issue is exacerbated when the component is based outside the EU. Therefore, we suggest that ISA 600 explicitly refers to the fact that in some countries a very restrictive professional secrecy legislation may apply, rendering the sharing of audit evidence and other private information difficult for the group audit team. It is important to note that such situation does not decrease the (sole) responsibility of the group auditor for the group audit.</p>
64.	ICAEW	See response to GA2(b)(i)
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	See response to GA2(a)
67.	ICAZ	N/A
68.	ICPAK	Yes
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	As acknowledged in the consultation by IAASB, some of the access issues cannot be resolved with the revision or clarification of standards. Thus, enhancing ISA 600 is not the answer, and the enhancement is not easy anyway, taking into account the principle-based approach.
73.	MICPA	--

★ Responded to Overview questions of the ITC

74.	SAICA	135. 100% of the survey responds [sic] indicated that they agree that ISA 600 should be strengthened in relation to addressing access issues as part of acceptance and continuance. This is also linked to the responses observed with respect to question GA 2(a)(i), above, regarding view's on which of the proposed possible actions would be most meaningful.
75.	SMPC	See response to GA2(a)
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	Refer above
84.	JGrant	--
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA2. Acceptance and Continuance of the Group Audit Engagement

(b) Specifically:

- (iii) Would expanding the understanding required for acceptance and continuance, as described in paragraph 215 (b), be achievable in the case of a new audit engagement?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]

★ Responded to Overview questions of the ITC

11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	--
17.	IOSCO	[see pp. 13–27 of comment letter]
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	See response to GA2(a)
National Auditing Standard Setters		
21.	AUASB	Nothing further noted.
22.	CAASB	See response to GA2(b)(i)
23.	CNCC- CSOEC	<p>– Paragraph 216 (a) of the ITC</p> <p><i>Changes to ISA 600 could include:</i></p> <p><i>(a) Revising the requirement to place greater emphasis on the need for <u>an explicit conclusion</u> that the group engagement partner and group engagement team can fulfill their respective responsibilities relative to the engagement overall, including for the direction, supervision and performance of the work done by component auditors. Such a conclusion could be based on the</i></p>

★ Responded to Overview questions of the ITC

		<p><i>consideration of the work that the group engagement partner and group engagement team will perform directly, as well as on their ability to be sufficiently involved in the work of component auditors.”</i></p> <p>We consider that such a requirement would be irrelevant in case of equity investments with different closing date from the one of the Mother Company, non-controlling equity investments or newly formed groups. We therefore do not believe it is necessary for the IAASB to emphasize the need for an explicit conclusion, as described in paragraph 216 given that a conclusion has already been made implicitly upon acceptance or continuance of the engagement.</p>
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	See response to GA2(a)
26.	JICPA	It would be impracticable in the case of a new audit engagement to require a level of understanding equivalent to that required in the case of a continuous engagement. We therefore agree that care is necessary when exploring the nature and extent of the necessary understanding.
27.	MAASB	<p>The IAASB will need to consider carefully that any clarification on acceptance and continuance considerations should adequately take into account that only certain information may be made available to a potential auditor during the acceptance process. It will be important to ensure that the nature and extent of understanding expected under the ISA is not set at a level that would preclude audit firms from being able to make a decision to accept an engagement.</p> <p>We agree that for new appointments, it is inherently difficult for the group auditors to obtain more information about the group to make an informed decision prior to appointment. The IAASB should consider expanding the guidance to cover the possible alternatives and the minimum criteria to be applied for first-time appointment.</p>
28.	NBA	Not applicable.
29.	NZAuASB	The NZAuASB has not identified the need for any action.
Accounting Firms		
30.	BDO	As currently written, we believe that paragraphs A10-A12 are sufficient in terms of linking the issues around understanding of the group to matters relating to client acceptance procedures.
31.	CHI	This is potentially achievable for a new engagement, because the auditor is likely to be alerted to these issues during the proposal and engagement due diligence process. This may mean that a firm has to undertake additional procedures before it can complete its acceptance process.
32.	DTT	See response to GA2(a)

33.	EYG	See our comments in (b)(ii) above regarding the need to take care in proceeding with any requirements related to acceptance decisions with which the auditor cannot practically comply due to limitations in the information available at the time the acceptance decision is to be made.
34.	GTI	See response to GA2(a)
35.	KPMG	See response to GA2(a)
36.	PwC	Possibly. The Board will need to give careful consideration to whether any clarification of acceptance and continuance considerations adequately take into account that only certain information may be made available to a potential auditor during the acceptance process. It will be important that the nature and extent of understanding expected under the ISA is not set at a level that would preclude audit firms from being able to make a decision to accept an engagement.
37.	RBI	--
38.	RSM	N/A
39.	SRA	--
Public Sector Organizations		
40.	AGC	See response to GA2(a)
41.	AGSA	Yes as there are many avenues of obtaining knowledge, even on a new engagement. The risk of not identifying a critical risk factor is also so much higher with a new engagement and therefore these requirements are crucial.
42.	GAO	See response to GA2(a)
43.	INTOSAI	See response to GA2(a)
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]

46.	ACCA	See response to GA2(a)
47.	AIC	--
48.	AICPA	See response to GA2(a)
49.	APESB	--
50.	CAANZ	While the ideas explored in paragraph 215 are useful, again, we encourage the exploration of providing guidance rather than additional mandatory requirements. Our members feel that continually expanding mandatory requirements drives a compliance mentality both in auditors and regulators and that this does not assist in improving audit quality.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	It is possible to expand the understanding required for acceptance and continuance but it is important that the requirements are not unrealistic or unjustifiably onerous for new engagements for the reasons described in paragraph 215(b).
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	See response to GA2(a)
58.	★ FACPCE	--
59.	FEE	(163) Expanding the application material in the way suggested would emphasise the importance of acceptance and continuance. However, any strengthening of the standard should recognise that the auditor is not able to perform a full audit (i.e., the degree of understanding will not equate to reasonable assurance) of a potential audit engagement before acceptance. Practical difficulties exist to obtaining all information before acceptance of a client because the previous auditor will, for example, only provide certain limited data that allow the potential new auditor to assess acceptance of this new client. Additionally, certain barriers such as national laws and regulations linked to professional secrecy are also in place and not consistent at international level. This inconsistency cannot be overcome by international auditing standards. The effect of expanding the understanding required for acceptance and continuance will remain limited as a potential client will find an audit firm eventually. The IAASB may explore ways to respond to the challenge of getting a client 'acceptable' in order to arrive to the right level of auditability.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.

★ Responded to Overview questions of the ITC

61.	IBA	--
62.	IBRACON	See response to GA2(a)
63.	IRE-IBR	<p>(103) Any new requirements in relation to a new group audit engagement should avoid putting an unnecessary burden on the group auditor prior to the group engagement acceptance and should remain proportionate to the intended effect and actionable considering limitations such as timing of appointment and potentially conflicting privacy and confidentiality laws.</p> <p>(104) Expanding the application material in the way suggested would, in our opinion, emphasize the importance of this aspect however any strengthening should recognize that the auditor is not able to perform a full audit of a potential audit engagement before acceptance; practical difficulties exist to obtaining all information before acceptance of a client because the previous auditor will for example only provide certain limited data that allow the potential new auditor to assess acceptance of this new client. Additionally, certain barriers such as national laws and regulations linked to professional secrecy are also in place and not consistent at international level. This inconsistency cannot be overcome by international auditing standards.</p>
64.	ICAEW	See response to GA2(b)(i)
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	See response to GA2(a)
67.	ICAZ	Yes
68.	ICPAK	Yes
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	<p>It would be difficult to respond to this question, as we cannot estimate how the understanding required for acceptance and continuance would be expanded and the extent thereof, just with what described in the paragraph 215(b) only.</p> <p>However, we could say that expanding understanding required for acceptance and continuance, as compared to the current requirements, could bring about difficulties with securing necessary information, as for new audit engagements, since the current understanding, required based on ISA 600, also contains relatively much information and related other understanding that are difficult to secure, in case of new audit engagements.</p>
73.	MICPA	--

★ Responded to Overview questions of the ITC

74.	SAICA	136. 76.9% of survey respondents indicated that expanding the understanding required for acceptance and continuance, as described in paragraph 215(b), will be achievable in the case of a new audit engagement.
75.	SMPC	See response to GA2(a)
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	Refer above
84.	JGrant	--
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA3. Communications between the Group Engagement Team and Component Auditors

(a) Paragraphs 218–225 set out matters relating to communications between the group engagement team and component auditors.

- (i) Which of the possible actions outlined in paragraph 224 would be most meaningful in addressing issues relating to communication between the group engagement team and the component auditor?
- (ii) Why do you believe these actions are necessary?
- (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why?
- (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--

★ Responded to Overview questions of the ITC

Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	<p><i>Communication between the group engagement team and the component auditor</i></p> <p>40. We believe there is a need for improvement in the quality and timing of communications between the group engagement team and the component auditor generally. We encourage the IAASB to maintain the focus on improved communication between group and component auditors throughout the audit. The possible actions proposed in the ITC relating to communication between the group engagement team and the component auditor address specifically the ability of the group engagement team to communicate directly with the component auditor or component management when the group engagement team is aware of non-compliance or suspected non-compliance with laws and regulations (NOCLAR) that may be relevant to the work of the component auditor [ITC §224(e)]. We support improved communication of NOCLAR matters and believe it is also important to improve communications in relation to other areas of the group audit.</p>
17.	IOSCO	<p><i>Communications Between the Group Engagement Team and Component Auditor</i></p> <p>We support actions that seek both to enhance the level of two-way communications throughout all phases of the audit between the group engagement team and the component auditor, and that emphasize the importance of documenting those communications.</p> <p>Paragraph 224(e) of the Paper is specific in that it includes a consideration by the Board on whether there is a need to revise paragraph 48 of ISA 600 and the related application material to better address the ability of the group engagement team to communicate directly with the component auditor when the group engagement team is aware of non-compliance or suspected non-compliance with laws and regulations that may be relevant to the work being done by the component. While we agree that the Board should clarify paragraph 48 of ISA 600 in this regard, the Board should also focus on the importance of improved communication in other stages of the audit. For example, the Board should be looking for solutions that drive a consistent approach for communication in all areas that are of importance to a component auditor</p>

		<p>(e.g., risk assessment, results of control testing on group level controls, (sub)consolidation procedures performed at the group level, and results of testing performed, etc).</p> <p>As we have previously communicated, we are concerned about the sufficiency of component auditor communications. For example, in some instances, the component auditor communications to the group engagement team can be as brief as a statement of compliance (paragraphs 41(a) and 41(b) of ISA 600), an explanation of the fluctuations in balances of financial information assigned to the component auditor (paragraph 41(c) of ISA 600), and an opinion statement under paragraph 41(j) of ISA 600, as discussed above in the section Situations where an Engagement Partner is not Located where the Majority of the Audit Work is Performed. We question whether this provides the group engagement partner with sufficient, appropriate audit evidence to express an audit opinion. On this basis, we agree that objectives that enhance component auditor communications to the group engagement team would be an improvement to ISA 600.</p> <p>Additionally, the Board should consider the need for guidance in ISA 600 that requires the group engagement team to actively consider if communication among component auditors is necessary (with appropriate oversight and involvement of the group engagement team, as appropriate). This need for such component-to-component communication may be of particular importance in instances where the entity processes transactions via shared service centers, where there are significant intercompany transactions, or where there are risks that are unique to only certain components of the group audit.</p> <p>Related to the above, we note that in our 2013 ISA Implementation Monitoring letter, we pointed out the need for more extensive two-way communication requirements on the results of fraud risk considerations. We note that this aspect of enhancing communications has not been specifically addressed.</p>
18.	IRBA	<p>94. Appropriate communication between the group engagement team and component auditors is vital to a group audit engagement.</p> <p>95. Strengthening the requirements and enhancing the related application material in ISA 600 regarding communication between group engagement teams and component auditors is needed.</p> <p>96. We also believe that it is very important to add application material to ISA 600 in order to emphasise the importance of applying the requirement of ISA 230 in documenting significant communication between the group engagement team and the component auditor (including two-way dialogue), and not just focusing on the inclusion of written communication in the audit documentation.</p>
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	<p>We support the IAASB's proposals to address concerns relating to communications between the group engagement team and component auditors. We are aware that communications with component auditors who are not part of the engagement team do pose additional challenges for group engagement partners in performing group audits, and in this regard we would support the IAASB's proposals to strengthen the requirements and enhance the related application material regarding such communications. In particular:</p> <ul style="list-style-type: none"> • The IAASB should emphasise the need to embed <u>effective two-way</u> communication, as effective two-way communication facilitates the proper integration of the nature, timing and extent of the component auditor's procedures with other work being performed on the group audit, by the group engagement team and others involved in the group audit. Such communication is necessary at all stages of the audit and could be emphasised more in relation to, for example, understanding the entity and assessing risks of material misstatement at the level of the group financial statements. • As explained in the ITC, not only does the nature, scope and objectives of the component auditor's work vary considerably with the circumstances, but also the respective roles and responsibilities of the component auditor and the group engagement team. The

		<p>engagement partner should always have overall responsibility for the group audit engagement, and the level of engagement with the component auditor should be risk-based and scalable through introducing a QMA-EL into ISA 220. That said, ISA 600 could include additional guidance that would assist the group auditor <u>and the component auditor</u> to discuss and agree:</p> <ul style="list-style-type: none"> ○ The nature, scope and objectives of the component auditor's work; ○ The respective roles and responsibilities of the component auditor and the group auditor; ○ The nature, timing and extent of communication between the group auditor and the component auditor (building on the importance of effective two-way communication); and ○ Other specific matters that the group auditor believes the component auditor needs to address. <p><i>Developing a new standard for auditors who serve as component auditors</i></p> <p>With regard to the IAASB's proposal that a potential action to improve 'communications' could be through the development of a separate standard containing specific requirements and application material directed at component auditors, we have heard through our outreach activity, particularly from SMPs, that ISA 600 does not effectively recognise the importance of two-way communications. For example, some SMPs have noted that because of a lack of effective two-way communication, component auditors get group instructions that have not been tailored to the particular component. In addition, in some situations they are not made aware of issues at the group level sufficient to allow a component auditor to determine if such a matter is relevant to their statutory audit of the component. We are not yet convinced that a separate standard containing specific requirements and application material directed at component auditors would resolve these issues. However, we support the IAASB further exploring this matter, perhaps through outreach with firms who primarily perform component audits in particular, to determine whether additional requirements and application material relevant to such issues could be developed in ISA 600 (or other relevant ISAs as appropriate) to support component auditors in their role supporting group engagement teams. We also believe that it is important for the IAASB to also include a requirement in the standard that ensures that the work performed by component auditors that is used for the group audit complies with all relevant requirements of the ISAs.</p>
National Auditing Standard Setters		
21.	AUASB	<p>(i) On balance, the AUASB supports ISA 600 clarifying the role of component auditors by expanding requirements and application material within ISA 600 directed at component auditors. The AUASB supports a separate section within ISA 600 directed specifically at component auditors. The section could cover areas including co-operation, communications, documentation, reporting responsibilities and access to files.</p> <p>In addition, the AUASB recommends that it is worth investigating whether the ethical standards as set by IESBA could cover the obligation of component auditors to co-operate with group auditors within the constraints of law and regulations.</p> <p>Australian constituents at the round table events expressed mixed views as to the possibility of developing a separate standard containing specific requirements and application material directed at component auditors. The constituents who were in favor of a separate standard, tended to be SMPs who often function in the capacity of a component auditor. For those SMP auditors, they considered that a separate component auditor standard could include topics such as documentation, co-operation and communications.</p> <p>(ii) Nothing further noted</p>

		<p>(iii) There is a need for greater clarity and guidance in scenarios whereby the component entity is a listed entity where there are continuous disclosure requirements. Application material responsive to the timing of communications between the group and component engagement teams where there are continuous disclosure concerns is required.</p> <p>(iv) The AUASB shares the view that ISA 600 requires change to keep up with diverse business structures, jurisdictional challenges and practical implementation issues. Such change could be effected through additional requirements (particularly in the areas named in GA1(a)), enhanced or additional application material and could include further illustrative examples.</p>
22.	CAASB	<p>The AASB and our Canadian stakeholders believe the following actions would be:</p> <p>Meaningful:</p> <ul style="list-style-type: none"> • Strengthening the requirements and application material in ISA 600 regarding instructions to component auditor (para. 224(a)) – The AASB believes greater emphasis on two-way communication throughout the audit will help to identify and address issues earlier in the engagement. ISA 600 provides some guidance and examples of sample communications with component auditors (Appendix 4: Examples of a Component Auditor's Confirmations and Appendix 5: Required and Additional Matters Included in the Group Engagement Team's Letter of Instruction). However some Canadian stakeholders have requested more guidance on what should be part of the reporting package and the level of detail in the instructions for component auditors. Currently, there is significant variation in the instructions provided to component auditors. Further examples can show considerations for the instructions and how to tailor requests based on the group structure and environment. Finally, it is important that requirements and application material continue to emphasize the importance of component auditors applying professional skepticism when performing procedures for the group auditor even though they do not have full responsibility for the group audit. • Adding application material to strengthen documentation of significant communications (para. 224(d)) – Canadian regulators have noted a lack of audit evidence to support discussions of significant matters with component auditors in their inspection findings. The AASB believes that guidance on how to better apply ISA 230¹¹ (particularly paragraph 8) to documentation of significant communications between the group engagement team and component auditors may assist the group engagement team to better understand the results of the work done by the component auditor. <p>Not supported:</p> <ul style="list-style-type: none"> • Develop a separate standard for component auditors (para. 224(b)) – The AASB believes developing a separate standard for component auditors could lead to more confusion because the component auditor would need to comply with this standard while also following the group engagement team instructions. A separate standard could also undermine the group auditor's responsibility for the full engagement. Further, a standard for component auditors would need to address a broad range of audits, which may not be practical. Better communication between auditors is needed and other actions such as improved group instructions may be more effective in achieving that. • Consider whether requirement 48 in ISA 600 needs to be revised (para. 224(e)) – The AASB does not believe this is necessary since they believe paragraph 48 is clear and that this situation is rare in practice.
23.	CNCC-CSOEC	<p>We consider that the issue of standardized audit instructions to all component auditors and non tailored instructions for each component auditor based on the applicable facts and circumstances and the work that each component auditor is being asked to perform, is an issue</p>

¹¹ ISA 230, *Audit Documentation*

		<p>of implementation of the standard for SMPs. We believe that the IAASBs should give examples of situations that require an adaptation of the instructions to small subsidiaries.</p> <p>We have another issue regarding the communication between the group engagement team and the component auditors, i.e. situation when the group engagement team is aware of non-compliance or suspected non-compliance with laws and regulations and the component auditor is unaware of such information as mentioned in paragraph 220 of the ITC. Paragraph 48 of ISA 600 already addresses the issue with sufficient flexibility to adapt to different legal environments. Therefore, we do not support the proposal to revise the paragraph 48 of ISA 600 to better address the ability of the group engagement team to communicate directly with the component auditor or the component management when the group engagement team is aware of non-compliance or suspected non-compliance with laws and regulations that may be relevant to the work being done by the component auditor. We consider that such a proposal may be unhelpful due to the different provisions in terms of professional secrecy rules which apply in different jurisdictions.</p> <p>Moreover, we do not believe that there is a need to further develop ISA 600 on audit documentation requirements. ISA 230 already includes a thorough rules-based approach with many mandatory conclusions to be disclosed with regard to audit documentation. Re-emphasising the fact that other ISAs apply when conducting a group audit under ISA 600 may be sufficient and lead to the desired outcome.</p>
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	<p>We comment on the possible actions identified in paragraph 224 as follows:</p> <ol style="list-style-type: none"> We believe that additional application material in ISA 600 could emphasize more the need for sufficient and timely two way communication between a group and component auditor. We do not see a need to extend existing requirements. If the IAASB decides to develop a standard for component auditors specific reference to communication would be appropriate. An explanation, in application material, of the term “timely” in the context of communication between a group and component auditor might be helpful. It might make sense to explain in the application material to ISA 600 the need for documentation in the context of communication between a group and component auditor and how compliance with ISA 230 is achieved in a group audit. The action needed will have to take due regard to legal requirements for client confidentiality in some jurisdictions that may preclude disclosure of NOCLAR. <p>We refer to our comments at the start of the section on group audits in relation to potential consequences of possible actions – viewed as a whole – that we believe the IAASB needs to consider further.</p>
26.	JICPA	<p>We believe that paragraph 224(c) (enhancing the supporting application material by explaining in more detail what the requirements are intended to achieve using the guidance in ISA 260 (revised)) would be the most meaningful action. Paragraphs A 49 and A 50 of ISA 260 (Revised) contain useful guidance that explains the principles of effective two-way communication. Those principles can also apply to the communication between a group auditor and component auditor. ISA 600, for example, could include application materials explaining the following:</p> <ul style="list-style-type: none"> The appropriate timing for communication depends on the significance and nature of the matter. Communication as soon as practicably possible would be appropriate, for example, for information on instances of non-compliance with laws or regulations, or fraud or suspected fraud, that could give rise to a material misstatement of the group financial statements.

27.	MAASB	<p>(i&ii) Effective mutual communications between a group team and component auditors is critical to an effective and high quality audit. We are therefore supportive of proposals to reinforce aspects (timing and extent) of such communications.</p> <p>We support the principle that the ISA can specify matters to be communicated, but not the mechanism of how that is to be achieved. Nevertheless, we do believe that the principle of a component auditor taking responsibility for issuing an opinion to the group engagement team on the financial information of a component (in circumstances other than specified procedures, when no opinion is expressed) builds on an important discipline of accountability that reinforces audit quality.</p> <p>We believe that drawing a link between the importance of communications and the group engagement team's evaluation of the work of component auditors is relevant. However, it is not clear what "enhancements" can be made to requirements about matters to be communicated that will tangibly change how group engagement teams evaluate those communications (ISA 600.42). It appears the objectives here are more closely aligned with how the group engagement team's evaluation of work can be enhanced (see question GA4 and GA8).</p> <p>We are not convinced that strengthening related requirements would be helpful in all cases, as most of the issues relate to applying judgement properly in the engagement circumstances.</p> <p>One possible action that may have a direct impact would be to incorporate more explicit specificity in when certain communications take place, i.e., break the communication and evaluation requirements up into the phases of the audit.</p> <p>Application materials that highlight the importance of documenting significant communications is acceptable as long as it is presented in the context of the requirements of ISA 230 and does not establish additional unduly onerous documentation requirements over and above ISA 230.</p> <p>With respect to ISA 600.48, the group engagement team cannot override confidentiality laws in relation to communication of actual or suspected non-compliance with laws and regulations that may impact a component. We acknowledge the revisions to the IESBA Code, but nonetheless auditors may be constrained in what they are legally able to communicate.</p> <p>(iii) In exploring how work at an SSC is scoped and evidence shared, communication will be a key element. Three-way communication may be required between a group engagement team, component auditors and SSC auditor.</p> <p>Likewise, we believe the ISA needs to directly address other communication impact arising from centralised testing and sharing of evidence across multiple teams. We also believe consideration should be given to guidance on how statutory audits that are required to be undertaken by component auditors may impact communications.</p> <p>(iv) Further consideration may need to be given to the growing challenge of access/legal restrictions on what can and cannot leave a territory. It is assumed that the current ISA is practicable with regards to communications. Any enhanced requirements would need to be evaluated to ensure that they would not be subject to any restrictions.</p>
28.	NBA	--
29.	NZAuASB	<p>(i) The NZAuASB does not consider any of the actions are necessary and that the issue is not with the standards, but with the application of the standards.</p> <p>(ii) The NZAuASB does not consider any of the actions are necessary and that the issue is not with the standards, but with the application of the standards.</p>

		<p>(iii) The NZAuASB has not identified any other relevant issues to consider. Also, the NZAuASB does not consider it is necessary to develop a separate standard for Component auditors. The group auditors should emphasise the communications required from the component auditors in the group instruction provided to the component auditors. The majority of auditors in New Zealand are component auditors rather than group auditors, and their feedback indicate that they do not consider a separate standard for component auditors are necessary.</p> <p>(iv) The NZAuASB has not identified any other relevant issues to consider.</p>
Accounting Firms		
30.	BDO	<p>(i) All of the possible actions in paragraph 224 are meaningful. In that regard, the possible action in paragraph 224 (a) is particularly meaningful if this would mean that the proposals (if provided with sufficient application material) resulted in an improved 'feedback loop'. In addition, providing:</p> <ul style="list-style-type: none"> • Examples of different kinds of communications that may be appropriate in different circumstances would be helpful to group engagement teams. • Guidance on the importance of explaining and refining group reporting instructions issued to component auditors would also be useful. <p>We believe that all of these steps, in addition to those noted in (d) and (e), would increase the likelihood of the group engagement team being sufficiently involved in the work of the component and providing a more informed basis on which to base the group audit opinion.</p> <p>(ii) See our answer to GA3(a)(i).</p> <p>(iii) None noted.</p> <p>(iv) None noted.</p>
31.	CHI	<p>(i) All the proposed actions in paragraph 224 have to be addressed to resolve the issues relating to communication between the group auditor and the component auditor. As a package the proposed actions will improve ISA 600 and help auditors in performing group audit engagements. There is a lot of merit in developing a separate standard for component auditors. The current ISA 600 does not address the specific role and responsibilities of the component auditor. Standards should also present the audit from the perspective of the component auditor. A separate standard should also help group auditors with achieving their objectives.</p> <p>(ii) As we commented above, in this area, the proposed actions can be seen as a package that can improve audit quality, address known concerns and assist auditors in practice.</p> <p>(iii) The proposed solutions should help address the known concerns in this area. We have nothing further to add.</p> <p>(iv) We have nothing further to add.</p>
32.	DTT	In general DTTL agrees with the suggested actions described in paragraph 224 of the ITC related to communications between the GET and component auditors, with the following specific comments:

		<ul style="list-style-type: none"> The emphasis on appropriate, timely two-way communication as discussed in paragraph 224(a) is critical. In particular, the various communications and interactions that occur between the GET and component auditors outside of the formal communications between the teams play an important role in demonstrating appropriate and sufficient communications. In DTTL's experience, these interactions may not always be well documented by the GET and it would be appropriate for the standards to emphasize the importance of this documentation. It is also important that the GET clearly communicates to the component auditor any procedures that have been performed centrally and that are relevant to the component auditors' work (whether as part of the group audit or on (statutory) stand-alone financial statements of the component). Examples of this could include procedures performed on related party information, information systems, or at shared service centers. This is an area where the IAASB could provide additional guidance and direction. DTTL is open to the possibility, described in paragraph 224(b), of developing guidance directed at component auditors, with the objective of improving the quality and consistency of work performed and communications provided by component auditors for the purpose of the group audit. In this regard, however, DTTL suggests that the IAASB explore the possibility of additional application material and non-authoritative guidance which may lend itself more to this topic. For instance the guidance could elaborate on how component auditors should interpret and apply the ISAs in the context of group reporting and how this may differ from the situation where they are performing a stand-alone audit. This would avoid the possibility of the standards becoming overly complex and prescriptive, and would avoid the need for a separate stand-alone standard which, in DTTL's view, is likely not necessary. <p>An additional issue that may warrant further consideration is that ISA 600 does not specify the format or content of clearance memoranda (e.g., the communication by the component auditor of the items noted in ISA 600.41). As a result, the GET and component auditors often spend a significant amount of time discussing the appropriate and acceptable form of communication. Different networks and/or firms may have their own formats or preferences as to the content included and in some cases there are differences within networks and firms. Therefore, DTTL recommends that the IAASB explore whether additional guidance could be provided on the expected form and content of these communications. Although DTTL recognizes that it would not be possible to develop a standard format for these communications, ISA 600 may be able to provide the principles governing the content that would normally be included in various circumstances. DTTL believes that this principles-based guidance would be helpful in facilitating discussions (and ultimately determining the appropriate form and content of communications) between teams from different firms and/or networks.</p>
33.	EYG	<p>We agree that the current requirements in paragraph 40 and 41 of ISA 600 are focused on required communication at the start and the end of work by component auditors. Some requirements within paragraph 40 include the need for the group engagement team to request timely communications from the component team, but this is not consistently required or emphasized.</p> <p>We believe the most meaningful action to enhancing the communication requirements in ISA 600 would be to explore supplementing the lists of required communications with principles for auditors to follow in determining the appropriate timing, nature and extent of communication between the group engagement team and component auditors (and vice versa). The level of communication with a component auditor should have a relationship to the risks that were identified related to that component (and which influenced scoping decisions), in addition to taking into account the knowledge obtained about the competence and capabilities of the component auditor.</p> <p>It is especially important that any enhancements to the communication requirements remain principles-based such that the requirements can be effectively implemented from the smallest group audits to the very largest group audits (e.g., those that include hundreds of components). Requiring two-way communication based on the application of a risk-based approach is more practical for the largest group audits than requiring direct dialogue for each individual component, which is likely to be quite impractical and also runs the risk of the auditor not having enough dialogue with those components that include higher risks of material misstatement to the group financial statements.</p>

		<p>As part of a risk-based approach to communications between group engagement teams and component auditors, supporting application material could be developed to address the matters in 224(a),(c) and (d), including examples of how the form, frequency and documentation of communications may differ in certain circumstances.</p> <p>We also believe it is appropriate to explore whether communication responsibilities for component auditors should be explicitly required, such that component auditors bear the responsibility for communicating matters encountered as part of their work to the group engagement team on a comprehensive and timely basis during the audit. However, consistent with our view in QC1, we do not support the development of a separate standard for component auditors. We believe any requirements for component auditors are best included within ISA 600 in context of, and in contrast to, the group engagement team responsibilities.</p> <p>Communications related to NOCLAR between the group engagement team and component auditors</p> <p>In light of the in-process revisions to the IESBA Code to address the auditor's ethical responsibilities to respond to non-compliance with laws and regulations (NOCLAR), we agree with the IAASB's planned consideration of whether paragraph 48 of ISA 600 (or supporting application material) should be revised to specifically deal with the nature and extent of communications related to NOCLAR that may be appropriate between the group engagement team and component auditors depending on the relevant ethical requirements that apply to the engagement.</p>
34.	GTI	<p>We believe that guidance for the component auditor may prove useful provided that it does not create an adversarial relationship between the component and group auditors. The IAASB could consider the development of a framework providing guidance on how to respond to the group auditor in certain situations, especially in instances where there are disagreements between the group and the component auditor, allowing access to the working papers / client database and the various types of reporting packages, including flash reporting packages and IFRS reporting packages that will be received by the group auditor. Current experience indicates an inconsistency on how and which types of reporting packages are received, including when and how inter-firm reports are used. Further guidance would also be useful in situations where the component auditor is auditing to a dual materiality with multiple sign off deadlines, usually group and statutory. This guidance does not necessarily need to be in the form of a separate standard but could form part of the existing ISA or be another form of IAASB publications such as an IAPN or a staff publication.</p> <p>We believe that it is important that any changes to ISA 600 emphasize the importance of two-way communication between the group and component auditor. This is especially important in the audit of a group where there is little activity in the group company and a substantial portion of the operations are undertaken in the subsidiary entities. In such situations, the component auditors may be better placed to obtain a full understanding of the business in accordance with ISA 315 (Revised), Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment, and to identify the appropriate significant risks at the component level. Communication of this understanding will help the group engagement team in making a determination of significant risks that are group wide and risks, significant or otherwise, that are specific to a component of the group.</p> <p>Further clarification of the requirements for the provision of group instructions from the group auditor to the component auditor would also be useful. Situations have been encountered where the group instructions are generic and do contain sufficient specificity for the audit of the component receiving the instructions.</p>
35.	KPMG	<p>We support the proposals regarding enhancing the sufficiency and timeliness of two-way communication between the group engagement partner and component auditors, to enhance cooperation.</p> <p>In particular, we welcome the suggestion to introduce specific requirements and application material directed at component auditors, to give greater emphasis to their role and responsibilities. We do not consider that such material would be most appropriately introduced by way of</p>

		<p>a separate standard, but instead suggest that such matters could be addressed within a discrete section of revised ISA 600 that is specifically directed at component auditors.</p> <p>We consider such emphasis to be of particular importance if the revised standard moves away from a series of prescriptive requirements to take a more principles-based approach, which would allow a group auditor increased flexibility in determining how best to involve a component auditor. In taking this approach, it would be helpful that greater responsibility is placed on component auditors to communicate matters such as fraud or non-compliance with laws and regulations to the group auditor, irrespective of the restrictive “scoping” decisions which are the focus of paragraphs 26-29 of extant ISA 600.</p>
36.	PwC	<p>(i) Effective mutual communications between a group engagement team and component auditors is critical to an effective and high quality audit. We are therefore supportive of proposals to reinforce aspects (timing and extent) of such communications.</p> <p>We support the principle that the ISA can specify matters to be communicated, but not the mechanism of how that is to be achieved. That being said, we believe that the principle of a component auditor taking responsibility for issuing an opinion to the group engagement team on the financial information of a component (in circumstances other than specified procedures, when no opinion is expressed) builds in an important discipline of accountability that reinforces audit quality.</p> <p>Drawing a link between the importance of communications and the group engagement team’s evaluation of the work of component auditors is relevant. However it’s not clear what “enhancements” can be made to requirements about matters to be communicated that will tangibly change how group engagement teams evaluate those communications (ISA 600 paragraph 42). It appears the objectives here are more closely aligned with how the group engagement team’s evaluation of work can be enhanced (see question GA4 and GA8).</p> <p>We are not convinced that strengthening related requirements would be helpful in all cases, as most of the issues relate to properly applying judgement in the engagement circumstances. One possible action that may have a direct impact would be to incorporate more explicit specificity on when certain communications take place i.e., break the communication and evaluation requirements up into the phases of the audit.</p> <p>As noted in our response to question GA1, we support including clarified requirements for component auditors within a distinct section of ISA 600.</p> <p>Application material that highlights the importance of documenting significant communications is acceptable as long as it is presented in the context of the requirements of ISA 230 and does not establish additional unduly onerous documentation requirements over and above ISA 230.</p> <p>(ii) See response to point (i).</p> <p>(iii) Further to our previous comments, in exploring how work at a SSC is scoped and evidence shared, communication will be a key element. Three-way communication may be required between a group engagement team, component auditors and SSC auditor.</p> <p>Likewise, we believe the ISA needs to directly address other communication impacts arising from centralised testing and sharing of evidence across multiple teams. For example, what evidence does a component auditor need to have communicated to them from a group engagement team performing centralised work e.g., IT General Controls (ITGC) testing, to enable the component auditor to have a sufficient basis for forming their opinion on that component?</p> <p>We also believe consideration should be given to guidance on how statutory audits that are required to be undertaken by component auditors may impact communications. For example, guidance could address what communications from the group engagement</p>

		<p>team on potential risks and work conducted centrally may assist component auditors in performing their statutory audits, how evidence obtained by the group engagement team may be shared and leveraged for the purposes of statutory audits etc.</p> <p>Further, we recommend that the issue of whether a suitable reporting framework exists, against which component financial information is to be audited, should be given attention. We believe it would be helpful in enhancing the quality of work undertaken by component auditors to reinforce the considerations of whether there is appropriate communication between group and component management as to the accounting policies, manual or framework that is to be applied by a component entity and hence used by component auditors. Such considerations include the sufficiency of such a framework, whether it has been maintained and updated and whether both group and component auditors have obtained, understood and evaluated its acceptability.</p> <p>Lastly, with respect to ISA 600 paragraph 48, the group engagement team cannot override confidentiality laws in relation to communication of actual or suspected non-compliance with laws and regulations that may impact a component. We acknowledge the revisions to the IESBA Code, but nonetheless auditors may be constrained in what they are legally able to communicate. We support additional guidance being incorporated into ISA 600 on this topic. We believe that this should be made as part of the ISA 250 revision project but in the event such changes are deferred in favour of addressing through the ISA 600 project then this is a matter that project needs to address.</p> <p>(iv) Further consideration may need to be given to the growing challenge of access/legal restrictions on what can and cannot leave a territory. It is assumed that the current ISA is practicable with regard to communications. Any enhanced requirements would need to be evaluated to ensure that they would not be subject to any restrictions.</p>
37.	RBI	--
38.	RSM	<p>(i) We agree with the actions listed in paragraph 224. We do not believe it necessary to create a separate ISA for Component Auditors. However, we would welcome exploring the inclusion of Component Auditors within the scope of the guidance for ISA 600.</p> <p>(ii) N/A.</p> <p>(iii) None.</p> <p>(iv) None.</p>
39.	SRA	--
Public Sector Organizations		
40.	AGC	<p>We believe that adding application guidance related to competency of the group engagement team, particularly having staff and an engagement partner at the group auditor able to handle component auditors using different languages, standards or regulatory frameworks, would address some of the issues related to group and component auditor communication. Instead of creating an additional standard for the component auditor, we suggest the following to improve the quality and timeliness of communication and documentation access to meet the needs of the group auditor.</p> <ul style="list-style-type: none"> Create additional application guidance to improve timely and effective two-way communication between the group and component auditor,

		<ul style="list-style-type: none"> Provide additional guidance and examples in the required and additional matters included in the group engagement team's letter of instruction, specifically related to the timeliness of the communications and access to documentation, In the Communication with the Component Auditor section of the application guidance, the component auditor cooperating with the group auditor guidance, outlined in paragraph A59, could be expanded to include examples of the types of documentation and the timeliness of the access to the documentation.
41.	AGSA	<p>(i) This would be procedure a and d. Whilst it is not only crucial for better initial instructions from the group auditor to the component auditor, the component audit must provide simple and regular feedback and guidance from the group auditor in terms of their performance of their respective duties. All of these communication, feedback and guidance must adhere to the ISA 230 standards and must be documented in a clear and logic manner.</p> <p>Paragraph 48 of ISA 600 should be revised to better address direct communication between the group engagement team and the component auditor This will support the communication process and enhance the effectiveness thereof.</p> <p>(ii) This will support the communication process and ultimately the audit process and enhance the effectiveness thereof. It will ensure that the group auditors engage with the component auditors in a timely manner and that frequent engagement occurs in order to reduce the risk of oversight of issues that may arise.</p> <p>(iii) No other issues identified.</p> <p>(iv) None to indicate other than those mentioned already.</p>
42.	GAO	<p>Adding application guidance related to competency of the group engagement team, particularly having staff and an engagement partner within the group auditor who are able to effectively work with component auditors who use a different language, set of standards, or regulatory framework, could address some of the issues related to group and component auditor communication. Instead of creating an additional standard for the component auditor, we suggest the following to improve the quality and timeliness of communication and documentation access to meet the needs of the group auditor:</p> <ul style="list-style-type: none"> create additional application guidance to improve the timely and effective two-way communication between the group and component auditor, including clear presentation of component auditor responsibilities; provide additional guidance and examples in the required and additional matters included in the group engagement team's letter of instruction, specifically related to the timeliness of the communications and access to documentation; and in the Communication with the Component Auditor section of the application guidance, expand the guidance on the nature, timing, and extent of expected component auditor cooperation with the group auditor, in paragraph A59, to include examples of the types of documentation and timeframes for the access to the documentation.
43.	INTOSAI	<p>We believe that adding application guidance related to competency of the group engagement team, particularly having staff and an engagement partner at the group auditor able to handle component auditors using different language, standards or regulatory framework, would address some of the issues related to group and component auditor communication. Instead of creating an additional standard for the component auditor, we suggest the following to improve the quality and timeliness of communication and documentation access to meet the needs of the group auditor.</p> <ul style="list-style-type: none"> Create additional application guidance to improve the timely and effective two-way communication between the group and component auditor,

		<ul style="list-style-type: none"> Provide additional guidance and examples in the required and additional matters included in the group engagement team's letter of instruction, specifically related to the timeliness of the communications and access to documentation, In the Communication with the Component Auditor section of the application guidance, the component auditor cooperating with the group auditor guidance, listed in A59, can be expanded to include examples of the types of documentation and the timeliness of the access to the documentation.
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	<p>We recognise the issues raised by the IAASB. However, we believe any action needs to take into account other forms of communications beyond written communications. While it is reasonable to expect workpapers to reflect the audit work undertaken and the judgements made by the engagement partner, we can envisage written instructions to component auditors to be supplemented by non-written communications. Indeed, such non-written communications are a vital part of the process, to ensure that written instructions have been properly understood. Although significant changes to audit planning would be expected to be documented, we believe there are limits to how far written documentation can reasonably capture all aspects of the two-way communication process between firms.</p> <p>We believe all the possible actions in paragraph 224 would be considered best practice and, accordingly, these could be encouraged without amendments to ISA 600. We would encourage the IAASB to explore different and innovative ways to communicate its thinking, such as through social media, blogs, position papers, news articles, guidance for firms and infographics.</p> <p>We do not see a need for a separate standard for component auditors. We believe it is sufficient for the group auditor to explain that the work should be conducted in accordance with ISAs, as modified according to the group instructions. These instructions should make it clear that there is a need for timely and comprehensive two-way communications between group and component auditors on matters that might be salient to their audits.</p> <p>In relation to paragraph 219(c), standardisation of audit instructions contributes to positive audit quality by encouraging a consistent approach to centrally-identified group audit issues. However, there should be tiered instructions that classify components according to the perceived risk and importance to the group audit, customised as appropriate to cater for any unique situation that individual component may face. The need for customisation and for documentation of any group auditor-agreed deviations from these instructions could be reinforced in the application materials. Additionally, in relation to paragraph 219(e), ISA 600 could be amended to require the group auditor to raise directly with the component auditor any issues identified centrally that might be relevant to the work being done by the component auditor. This obligation could be communicated in the group audit instructions.</p>
47.	AIC	--
48.	AICPA	We agree with the possible actions described in paragraph 224 to address the issues identified with respect to communication. As noted above, we do not recommend a separate standard for component auditors. Instead, we support expanding ISA 600 to address requirements for when auditors work together, regardless of whether as group or component auditors. Requirements should be flexible to fit the

		<p>circumstances; for example, when a new equity investment or change in ownership late in the year makes communication before the other auditors have begun planning or performing their work impractical or impossible.</p> <p>We believe the standards could facilitate better communication. We support enhanced application material that clarifies the expectations for communication by the component auditor and includes examples of different kinds of communications that may be appropriate in different circumstances. For example, firms acting as component auditors have received requests for interfirm reporting despite not being part of the firm acting as group auditor, or even part of that firm's network. The situation of a group auditor sending incomplete or incorrect instructions is an implementation issue that may not need to be addressed in the standard, but we ask the IAASB to consider other means of addressing, including application material on the dialogue between the component auditor and group auditor from the component auditor perspective. In addition, we struggle with the "pen pal" approach; application material that encourages more "live" interaction, such as oral dialogue (rather email or other virtual means), would be helpful, but we would not mandate discussions in all circumstances. Likewise, application material on the communication of KAM between the group and component auditors would be helpful.</p> <p>There is diversity in practice on reporting final conclusions between component auditors and group auditors. Some group auditors will provide illustrative letters for the component auditor to fill in the blanks, sign, and return. However, the language in those illustrative letters is not always acceptable to the component auditor and a negotiation process begins. Illustrative reporting language in the standards or a list of minimum elements in the report would be helpful. In addition, application material on how to report when the component auditor has done less than a full audit, such as specified audit procedures, is needed. Further application material on the engagement partner's responsibility to review or validate the information provided pursuant to the requirement in par. 41 would be helpful. Under the current standard, the group auditor's responsibility to verify that that a component auditor has responded to risks identified by the group auditor is not explicit.</p>
49.	APESB	--
50.	CAANZ	<p>(i) While the actions suggested in paragraph 224 are appropriate, we encourage the exploration of providing guidance rather than additional mandatory requirements. Our members feel that continually expanding mandatory requirements drives a compliance mentality both in auditors and regulators and that this does not assist in improving audit quality. Also see above for our comments on addressing component auditor responsibilities more fully.</p> <p>(ii) See above.</p> <p>(iii) No further comments.</p> <p>(iv) Unintended consequences of more prescriptive requirements may include encouraging behavioural traits that focus on compliance and which run counter to the depth of thinking required for a quality audit. Also, there are already over 440 mandatory requirements in auditing standards. The cost of complying with an increased number or with increased prescription in mandatory requirements is not insubstantial. Any potential increase in audit quality would have to justify the cost of compliance. Any potential increase in audit quality also needs to take into effect the cumulative effect of additional mandatory requirements on an auditors' ability to apply appropriate time and judgement. This may be particularly pertinent to smaller firms of practitioners, sole practitioners or smaller audit engagements.</p>
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--

53.	CIIPA	--
54.	CIMA	--
55.	CPAA	<p>(i) We received mixed feedback from auditors as to whether there is a need to clarify how the group and component auditors should communicate, however we consider that this is an issue for SMPs more so than the large networks. Therefore we support clarification of communication and we considered all of the following actions would be effective:</p> <ul style="list-style-type: none"> • Requiring communication which ensures instructions have been understood and complied with, component auditor communications meet team expectations, the component auditor's work is adequate for the group audit and relevant issues have been brought to the group engagement team's attention. • Providing examples of timely and appropriate communications. • Requiring documentation of significant communications. • Clarifying the ability of the group engagement team to communicate directly with the component or component auditor with respect to non-compliance or suspected non-compliance with laws and regulations. <p>We do not support the need for a new standard for component auditors, as they still need to apply to relevant ISAs when conducting an audit engagement.</p> <p>(ii) Clear communication channels are important to ensure that sufficient appropriate evidence is fed back to the group auditor. Group auditors which are not in the same network as the component auditor may experience greater difficulties in obtaining the evidence they require and gaining confidence in the quality control system applied in conducting the audit.</p> <p>(iii) The additional issues we believe need to be considered are:</p> <ul style="list-style-type: none"> • Clarification of the group engagement team's responsibilities to understand and communicate with the component auditor the impact of any differences in the auditing standards in the jurisdiction under which the component auditor is conducting the audit of the component compared to the ISAs under which the group auditor is conducting the audit of the group. Where differences in the standards require additional work to be conducted by the component auditor to meet the requirements of the ISAs, ISA 600 needs to clarify the group engagement team's responsibilities to instruct the component auditor about the additional work required. • How to overcome restrictions on access to working papers of the component auditor, particularly where they are located in another jurisdiction or are not part of the same network. Solutions may include engaging the component auditor to conduct agreed-upon procedures as an alternative to an audit of the component when only specific procedures and the factual findings are required for the purposes of the group audit. <p>(iv) Caution needs to be exercised due to the variety of circumstances and group/component auditor relationships to ensure that the requirements are not too onerous or prescriptive so that the emphasis remains on the engagement partner taking responsibility for the conduct of the audit and using their professional skills and competence to determine the best means of communication.</p>
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.

57.	EFAA	We support the proposed strengthening of ISA 600 to advocate timely, relevant and proportional 2-way communication that is tailored appropriately to the size, complexity, significance and perceived risk of a component. We would advocate that any changes made by the IAASB are done in such a manner as to encourage structured, timely and focused communication which would be fruitful for both group and component auditor and properly highlight the 2-way communication process that is encouraged.
58.	★ FACPCE	--
59.	FEE	<p>(24) The need for a timely and two-way communication between the group auditor and component auditors should be emphasised. We favour a bold approach in recognising the role of the component auditor and hence add more requirements and/or guidance for component auditors to communicate issues to the group auditors.</p> <p>(164) Measures enhancing a timely and two-way communications between the group engagement team and component auditors would be the most impactful. We would favour a bolder approach in adding more requirements and/or guidance for component auditors to communicate issues to the group auditor. Even if the group auditor holds the ultimate responsibility for the group audit, it should be clear that component auditors have responsibilities in the process as well. When considering this approach, the IAASB should evaluate whether it would be workable in practice, especially with the different legislative contexts.</p> <p>(165) These actions are necessary to make clear that, despite the fact that the group audit is the ultimate responsibility of the group auditor, it should not be as a one-way communication channel, i.e. from the top down only.</p> <p>(166) In addition, while it is important to adhere to the group auditor's instructions, it is expected that component auditors will exercise professional judgement and communicate to the group auditor any additional issues identified or further risks that should be considered at the group level or in other similar components.</p> <p>(167) We do not believe that there is a need to further develop ISA 600 on audit documentation requirements. ISA 230 already includes a thorough rules-based approach with many mandatory conclusions to be disclosed with regard to audit documentation. Re-emphasising the fact that other ISAs apply when conducting a group audit under ISA 600 may be sufficient and lead to the desired outcome.</p> <p>(168) In paragraph 234 where it is stated that we should "make an explicit determination about whether it is appropriate to use the work of the component auditor", it is important to also primarily consider whether the group auditor can rely on its network. We expand on this matter in our response to question GA4 below.</p> <p>(169) Nothing to report.</p>
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	We support initiatives regarding enhancing the communication and cooperation between the group engagement and component auditors. In particular, we support the introduction of requirements and additional guidance that will give greater emphasis to the role and responsibilities of the component auditor. A common discussion between group and components is when it would be necessary to provide

★ Responded to Overview questions of the ITC

		copies of audit documentation to the group auditor (or vice-versa for situations like shared-service centers), to the extent that it is not prohibited under local laws.
63.	IRE-IBR	<p>(105) We believe that measures enhancing a timely and two-way communications between the group engagement team and component auditors would be the most impactful. While the propositions made a relevant application material should be flexible enough so as to allow for a proportional application to various group audit situations. Providing background information as to the reason for the requirements might foster of more effective yet proportional application of the requirements of the standard. Certain standards (ISA 230) provide already sufficient requirements and guidance.</p> <p>(106) Good communications foster a good working relationship including delivering as requested by the group auditor taking into account the circumstances of the component audit. Communication between group and component auditors is key in order to foster a climate of audit quality. This being said, we are not favoring an extensive addition to the standard's application material for the reasons mentioned above.</p> <p>(107) We do not believe that there is a need to further develop ISA 600 on audit documentation requirements. ISA 230 already includes a thorough rules-based approach with many mandatory conclusions to be disclosed with regard to audit documentation. Re-emphasising the fact that other ISAs apply when conducting a group audit under ISA 600 may be sufficient and lead to the desired outcome.</p> <p>(108) No further comments.</p>
64.	ICAEW	<p>36. On balance, we think it unlikely that a separate standard for component auditors would be helpful simply because of the inevitable level of duplication. However, we strongly believe that IAASB should explore the possibility of a separate section in the ISA for component auditors, to help group and component auditors, and regulators, understand the importance of the role of component auditors in group audits. In particular, ISA 600 should emphasise the critical nature of active two-way communication not least to ensure that group and component auditors agree on an understand the demarcation between their respective roles. This is a key area in all group audits and ISA 600 cannot, and should not attempt, to specify either the demarcation, or the nature and extent of communications, both of which will vary enormously. Nevertheless, communications may well be improved through the provision of good quality examples and we attach ICAEW's Auditing Groups: A Practical Guide which contain numerous examples, including supplementary material with illustrations of reports provided by component auditors to group auditors.</p> <p>(i) We believe that there is value in bringing component auditors within the scope of ISA 600. IAASB should explore the possibility of a separate section in the ISA for component auditors, to help group and component auditors, and regulators, understand the importance of the role of component auditors in group audits, and the importance of active two-way communication. Better quality communications are needed to ensure that group and component auditors agree on and understand the demarcation between their respective roles.</p> <p>ISA 600 should recognise that proper tailoring of requests for information is important simply because it elicits better quality responses. Despite the fact that many firms have a '20% pack' and a '5% pack', requests for more information than is required remain common, even though group auditors know that the request, or part of it, may be ignored. Auditing standards might discourage this but they cannot prevent it. ISA 600 could nevertheless encourage component auditors to communicate with group auditors regarding what is really required in such cases.</p> <p>ISA 600 should make it clear that group auditors need to understand what they are asking component auditors for, and why, and to make sure that they get it. How auditors do this, whether through meetings, translators, questionnaires or the review of files is</p>

		<p>not a matter for auditing standards. It would be helpful for ISA 600 to emphasise the need for group and component auditors to agree on the process for what is to be provided, when and how. Both sides need to recognise the need to communicate effectively.</p> <p>(ii) Answer above covers the whole of GA3a].</p> <p>(iii) Answer above covers the whole of GA3a].</p> <p>(iv) Answer above covers the whole of GA3a].</p>
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	<p>The way in which component auditor responsibilities are communicated and documented could be strengthened by requiring the group auditor to document in detail the extent of involvement they will have in the audit of the component and the rationale behind the extent of their involvement.</p> <p>The issue of subsequent events when using component auditors is also an important one which could be addressed by clarifying the responsibilities of the group auditor for ensuring that clear instructions are given to the component auditor on procedures for dealing with, and the communication of, subsequent events.</p>
67.	ICAZ	<p>(i):</p> <p>a) Strengthening the requirements and enhancing the related application material regarding communications between group engagement teams and component auditors.</p> <p>b) Adding application material to emphasize the importance of applying the requirements of ISA 230 in documenting significant communications between the group engagement team and component auditors (including two-way dialogue), and not just focusing on the inclusion of written communications in the audit documentation.</p> <p>(ii) These actions would emphasise on the nature of communication between group auditors and component auditors. Since timing of communication has been a major issue that has currently been identified, these actions would go a long way in addressing this problem.</p> <p>(iii) None</p> <p>(iv) None</p>
68.	ICPAK	<p>(i) Strengthening the requirements and clearly defining the expectations</p> <p>(ii) These actions are important in addressing unclear issues between the engagement team and component auditors</p> <p>(iii) None</p> <p>(iv) None</p>
69.	★ ICPAU	--

★ Responded to Overview questions of the ITC

70.	★ INCPC	--
71.	ISCA	<p>We believe that there may be a need to bridge an existing expectation gap between what auditors understand and what the regulators expect. ISA 600 should therefore clarify what types of communication should be documented in an audit file.</p> <p>In Singapore, ACRA has issued an Audit Practice Bulletin² on the audits of group financial statements to provide guidance and clarity on the audit procedures necessary prior to placing reliance on the work performed by component auditors, and to reiterate the need to increase the level of rigour and professional scepticism expected of the public accountant when acting as the group engagement auditor.</p> <p>To encourage knowledge sharing, the IAASB could explore an avenue to make such bulletins from different countries publicly available to one another.</p>
72.	KICPA	<p>(i) Enhanced application material including examples of different kinds of communications that may be appropriate in different circumstances, thereby clarifying the meaning of requirements, would be the most meaningful.</p> <p>(ii) Making the communication between the group engagement team and the component auditors various and easy could be effective in ensuring sufficient and timely communication between them.</p> <p>(iii) We are not for the action to develop separate standards on the component auditor and to strengthen and expand the requirements. We recognize the importance of the role and responsibility of the component auditor, when it comes to two-way communication. However, developing separate standards are expected to inevitably expand the requirements and responsibilities of the component auditor. Such expansion could result in passing the responsibility of the group engagement team to the component auditor or making the responsibility vague, which would run counter to the public interest. It would also be difficult to agree with IAASB' stating that developing a new standard for auditors who serve as component auditors may be particularly useful to SMPs who may often function in this capacity (in the paragraph 199), under a circumstance where whether the works of component auditors are used or not is determined by the group engagement team.</p> <p>We also do not support the revision of ISA 600 to address the ability of group engagement team to communicate directly with a component auditor or component management when the group engagement team is aware of non-compliance or suspected non-compliance with the law and regulation that may be relevant to the work being done by the component auditor. As the issue is associated with professional confidentiality of the respective jurisdictions, it would be reasonable to discuss the matters with the group management and those charged with governance of the group and ask for actions, and if the issue is still unresolved, to consider advising the component auditor not to issue the report on the financial statements, as pursuant to the law and regulation and professional standards. Requiring the group engagement team to directly communicate the non-compliance to the component management team or component auditor could expand the responsibility of the group engagement team, thereby resulting in their excessive burdens. If such action is surely considered necessary, more thorough approach would be desirably required after taking into account the legal responsibility of auditors, lawsuit environments and auditing practice at the respective jurisdictional level.</p> <p>(iv) Please refer to answers in (ii) and (iii) of GA3 (a).</p>
73.	MICPA	--

² [https://www.acra.gov.sg/uploadedFiles/Content/Publications/Audit_Practice_Bulletin/APB%20No%201%20of%202015%20\(final\).pdf](https://www.acra.gov.sg/uploadedFiles/Content/Publications/Audit_Practice_Bulletin/APB%20No%201%20of%202015%20(final).pdf)

74.	SAICA	<p>137. In terms of indicating which of the possible actions proposed by the IAASB would be most meaningful to address issues related to communication between the group engagement team and the component auditor in group audits, the survey respondents indicated their preference for the following two actions [the most meaningful listed first, from (1) to (2)]:</p> <ul style="list-style-type: none"> (1) More clearly explaining and setting forth the requirements for the component auditor in making and participating in communications to the group engagement team (2) Adding application material to emphasize the importance of applying the requirements of ISA 230 in documenting significant communications between the group engagement team and component auditors (including two-way dialogue), and not just focusing on the inclusion of written communications in the audit documentation. <p>138. 93.1% of survey respondents indicated that they are not aware of other issues that the IAASB should consider relating to this section.</p> <p>139. 86.2% of survey respondents indicated that they do not believe that there are other actions that the IAASB can take to address the issues highlighted in this section of the ITC.</p> <p>140. Suggestions were made for consideration of a separate standard or, alternatively, a separate section in ISA 600 that gives guidance to the component auditor on communications with the group auditor, performance of the additional work /procedures set forth by the group audit engagement team and presenting specific conclusions on work performed to the group auditor. If such enhancements are to be implemented, the IAASB should consider renaming the standard to ensure that it is applicable to both the group auditor and component auditors.</p> <p>141. Some support was also indicated for the IAASB to consider the development of a separate standard dealing with the roles and responsibilities of the component auditor. Alternatively the IAASB should consider addressing more clearly, and distinguishing, the roles and responsibilities of the group auditor and component auditors in ISA 600.</p>
75.	SMPC	<p>We support the possible action to enhance the application material regarding communications between group engagement teams and component auditors. In particular, highlighting the value of sufficient and timely two-way communication during the audit. Additional guidance on what is meant by 'timely' and the examples of different kinds of communications that may be appropriate in different circumstances may be helpful, together with the importance of documenting significant communications.</p> <p>There have been concerns raised over the timing, language used, and the level of detail that some firms require as standard practice as part of their methodologies for understanding the component auditors and work performed. This has been perceived by some as being purely a risk management exercise, rather than focusing on understanding the component auditor. Short response deadlines and excessive detail of information requested (which is disproportionate to the size, complexity and risk of the component) may actually impair the quality of the communication, information delivered and timeliness of the response by some SMPs. In addition, some SMPs have raised concerns about the lack of professional courtesy observed by group auditors in their interactions with component auditors. ISA 600 should encourage the proper tailoring of requests for information as it elicits a better quality of responses, together with group and component auditors agreeing on what, when and how information is provided.</p> <p>The proposal to better address the ability of the group engagement team to communicate directly with a component auditor (or vice versa) when they are aware of non-compliance or suspected non-compliance with laws and regulations should be considered in the context of the final IESBA pronouncements which were finalized in April 2016.</p>

76.	WPK	<p>One example might be the concerns expressed regarding the communication requirements in ISA 600. It is alleged that the requirements are not specific enough in order to result in sufficient and appropriate communication between component auditors and the group engagement team during the planning and performance of a group audit engagement (see note 219).</p> <p>From our understanding, ISA 600.40-41 in conjunction with ISA 600.A57-A60 regarding communication between group and component auditor require an effective two-way communication and define the minimum content of the communication. However, the appropriate method of communication needs to be determined depending on the individual situation between the two auditors and not by a global standard. Otherwise the standard setting becomes a rules-based approach.</p> <p>We broadly support the proposals regarding enhancing the sufficiency and timeliness of two-way communication between the group engagement and component auditors, to enhance cooperation. In this context we also like to refer to our general comments.</p> <p>We also welcome the idea of providing specific requirements and application material for component auditors, to give greater emphasis to their role and responsibilities. But we do not see the need for a new separate standard for component auditors. We think it is possible and more transparent to address requirements for the group auditor and component auditors in one single standard.</p>
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	<p>(i) The audit requirements for communication are adequate; the different cultural paradigms can be more problematic. Although costly, face-to-face communications are usually needed, and especially in the first year of working with a component auditor.</p> <p>(ii) Face-to-face communication supported by written communication can help to bridge cultural expectations and builds relationships between the parent and component auditor.</p> <p>(iii) As above</p> <p>(iv) The cost of face-to-face contact may be prohibitive.</p>
84.	JGrant	--
85.	JK	--

86.	★ KKTuraga	--
87.	SDeViney	<p>(i) Developing a separate standard or set of requirements directed at component auditors would be most meaningful. The auditor's risk assessment and materiality judgments should be informed, in part, by an understanding of the needs and expectations of users. When an auditor becomes aware that they are auditing a component, they need to understand and consider the needs and expectations of the group auditor and users of the group audit to inform their planning. The group auditor also represents a relevant source of risk assessment information for the component audit.</p> <p>(ii) A separate standard or set of requirements directed at component auditors is necessary to clarify how the group audit and information shared with the group auditor relate to the component auditor's normal planning, materiality and other procedures and judgments. In particular, how the component auditor's communication of issues with the group auditor provides necessary information to evaluate materiality of issues in accordance with existing standards.</p> <p>(iii) No.</p>

★ Responded to Overview questions of the ITC

GA4. Using the Work of the Component Auditors

(a) Paragraphs 226–242 set out matters relating to using the work of the component auditors.

- (i) Which of the possible actions outlined in paragraph 234 and 242 would be most meaningful in addressing issues related to using the work of the component auditor?
- (ii) Why do you believe these actions are necessary?
- (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
- (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--

★ Responded to Overview questions of the ITC

Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	<p>In determining the next steps in this area, we believe the IAASB should provide additional clarity in the requirements on the work effort required by the group auditor in understanding the work performed by the component auditor (including providing evidence of that understanding), including:</p> <ol style="list-style-type: none"> 1. Obtaining an understanding of the local customs and business practices and consideration of the impact on the planned audit procedures. 2. Regularly planned and scheduled visits to component auditors for the purpose of meeting with local management and the component auditor and to review the work performed by the component auditor. 3. Retention of copies of the component auditor's working papers, especially on areas of significant risk.
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	<p><i>Group engagement team involvement in the component auditor's work</i></p> <p>38. We encourage the IAASB to develop a robust framework for determining the scope of work with respect to components and extent of involvement of the group auditor in the work performed by others, in particular component auditors. The possible actions set out in the ITC regarding the auditor's response to identified risks of material misstatement, and more specifically the audit procedures performed on the component's financial information, include a proposed revision to the approach to work to be performed on the component's financial information for group audit purposes and a suggestion to move towards a more flexible approach [ITC §272-273 and 279]. We would like to draw the IAASB's attention to the fact that a flexible approach that is not well defined could be unclear to auditors and may result in an inappropriately determined scope of audit procedures to be performed at component level. We invite the IAASB to consider the broader implications and unintended consequences that a more flexible approach might have.</p>

★ Responded to Overview questions of the ITC

		<p>39. We believe the IAASB should provide additional clarity on the work effort required by the group auditor in evaluating the work performed by component auditors. In particular, we believe the group auditor should determine the necessary extent of review of the work performed by and the related working papers of component auditors and whether the necessary access to component auditors' working papers will be available.</p>
17.	IOSCO	<p><i>Using the Work of the Component Auditor</i></p> <p>We agree with the general direction of the possible actions that the Board has outlined in paragraph 234 and 242 of the Paper. However, we note that the application material of ISA 600 contains significant, relevant material with respect to understanding the component auditor. The Board should consider whether it would be helpful to elevate certain application material within ISA 600 to requirement level. We have outlined specific matters below to which we would like to draw the Board's attention as it considers the nature and extent of enhanced requirements and application material.</p> <p>Similar to our comment above in the Acceptance and Continuance section, while the requirement to understand the professional competence of the component auditor should not differ regardless of whether the component auditor is, or is not part of a network firm, we agree that the Board should provide clarification on the application of this requirement. Based on our experiences, it is unclear in many group audit situations what the group engagement team did to understand and assess the competence of the component auditor. It is not uncommon that the only discussion from the group engagement team about professional competence was the acknowledgement that the component auditor was from a network firm. The Board could clarify that it would be inappropriate for the group engagement team to effectively meet the requirement to assess component competence by a statement that the component auditor is part of the same network of firms as the group engagement team.</p> <p>We note that paragraph 229 of the Paper raises concern about the group engagement team's understanding of the planned use of experts by the component auditor when obtaining an understanding about the competence and capabilities of the component auditor. It is relevant to understand the component auditor's use of experts (or the decision not to use experts). If the component auditor has decided it is necessary to utilize an expert, this may be due to the level of complexity or judgment involved, which could then rise to the level of a significant risk of material misstatement to the financial statements. This would likely be an audit area that the group engagement team should seek to understand the planned response to risks of material misstatement by the component auditor and the expert so that the group engagement team has sufficient understanding of the nature of the risk and the audit procedures performed. Additionally, the group engagement team should understand the component auditor's planned use of experts so that it can further consider whether other component auditors should similarly be requesting work to be performed by experts.</p> <p>Paragraph 234(a) of the Paper states as a possible action to address the issues identified, the group engagement team would make an explicit determination about whether it is appropriate to use the work of a component auditor. While we agree that the addition of an objective or requirement to make an explicit determination is desirable, the Paper appears to imply that this is a binary decision. We believe that the use of the work of component auditors is not a binary decision, but that rather the group engagement team's nature, timing and extent of involvement in the component auditor's work should be scalable based on the competency of the component auditor, risk of material misstatement of the financial information subject to audit procedures by the component auditor, and other factors such that the work performed by the group engagement team and the component auditor provide sufficient and appropriate audit evidence upon which to base the group audit opinion. ISA 600 should retain the concept expressed in paragraph 20 that if there are "serious concerns" about using the work of the component auditor, it may be appropriate to conclude that it is inappropriate to use the work of the component auditor.</p>

18.	IRBA	<p>97. The group engagement team uses the work of component auditors when obtaining audit evidence on which to base the group audit opinion.</p> <p><i>Understanding the independence, competence and capabilities of component auditors</i></p> <p>98. We believe that it is necessary for the IAASB to strengthen the requirements and enhance the application material in ISA 600 for a more robust challenge by the group engagement team as to whether the component auditor possesses appropriate competence and capabilities.</p> <p>99. In addition, we believe that the application material in ISA 600 should be enhanced to address clearly how group engagement teams can demonstrate the basis for their reliance on common network policies and procedures in determining the necessary levels of involvement in the work of component auditors.</p> <p><i>Group engagement team's involvement in the work of component auditors</i></p> <p>100. We believe that it is necessary for the IAASB to strengthen the requirements and enhance the application material to provide more clarity as to how the group engagement team determines the nature, timing and extent of the necessary involvement in the work of the component auditors.</p>
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	<p>Overall, we support the IAASB's proposals to address concerns relating to the need to obtain an understanding of the independence, competence and capabilities of component auditors, and issues in relation to the group engagement team's involvement in the work of component auditors, and to provide more guidance about the different circumstances that arise, including providing some examples about how some of the issues may be addressed, as this will support auditors in identifying, through a QMA-EL approach, the risks to delivering a high quality audit, and putting in place appropriate responses to those risks.</p> <p>Understanding of the independence, competence and capabilities of component auditors (understanding)</p> <p>We have heard, through our outreach activity, that group auditors continue to face complex challenges in obtaining the necessary understanding when component auditors sit outside the group auditors' jurisdiction (as set out in paragraphs 227-228). In this regard, we would support the IAASB's proposals to strengthen the requirements and enhance the related application material regarding the required understanding set out in paragraph 234. In particular:</p> <ul style="list-style-type: none"> We note that, in relation to the engagement partner's work with other parties such as internal auditors (ISA 610 Using the Work of Internal Auditors) and experts (ISA 620 Using the Work of Experts) the engagement partner is required to make a robust challenge in determining whether their work should be used, including whether those parties possess the appropriate competence and capabilities to carry out the work. We believe that the requirement for challenge is largely absent in ISA 600. In that regard, we agree with the suggestion to include a requirement for the engagement team to make an explicit determination about <u>whether to use a component auditor's work</u>. The application material could be enhanced by highlighting some of the challenges that group engagement teams may face when trying to obtain the relevant 'understanding', including more specific examples that address some of the practical challenges that have been identified, to help auditors identify whether the independence, competence and capabilities of component auditors are sufficient for their purpose.

		<p><i>The group engagement team's involvement in the work of component auditors</i></p> <p>We agree with the concerns set out in paragraphs 238 to 239 relating to insufficient involvement of the group engagement team in the work of component auditors. The FRC response to the Post-Implementation Review of the Clarified International Standards on Auditing highlighted that our AQRT had seen many cases during their inspections where the group engagement partner or group engagement team had not demonstrated sufficient participation in the performance of the group audit, including in the audit of the consolidation process.</p> <p>The FRC findings highlight a possible misconception that determining the necessary "Involvement in the work performed by component auditors" is different to the determination that is made to achieve compliance with the requirements of ISA 220 relating to the performance of the audit. There may be additional challenges when the group engagement team are working with component auditors who are not part of the same firm (e.g. they can be based in different countries, with different market conditions, language and cultures, and subject to different quality control procedures, professional training practices and ethical requirements). However, as noted in the ITC, the engagement partner has responsibility to determine the appropriate direction, supervision, review and overall performance of the engagement, whether or not it is a group engagement. Using the work of other parties does not diminish that responsibility, as also explained in our response to QC3. Therefore, as noted in our response to GA1, it would be beneficial to have greater emphasis on the links between ISA 600 and other relevant ISAs. In addition, the guidance in ISA 600 (and more critically ISA 220) is deficient with respect to how an engagement partner uses information they have acquired (or need to acquire) on skills and competencies of the engagement team and component auditors to determine the appropriate nature, timing and extent of involvement of the group engagement team in the work of the component auditor. In this regard, we support the IAASB strengthening the requirements and enhancing the related application material to provide greater clarity on the factors a group engagement partner would need to consider in making their determination, as to the appropriate nature, timing and extent of involvement in the work of component auditors.</p>
National Auditing Standard Setters		
21.	AUASB	<p>(i) Application material could be enhanced or expanded to result in a more robust challenge by the group engagement team as to whether the component auditor possesses appropriate competence and capabilities. Examples that address some of the practical challenges are viewed as beneficial.</p> <p>In addition, greater clarity could be provided to the group engagement team in determining the nature, timing and extent of their involvement in the work of the component auditors including explaining interactions and providing examples to illustrate the wide variety of circumstances impacting the determination of the nature, timing and extent of the group engagement team's involvement in the work of the component auditor.</p> <p>The AUASB considers that it would be beneficial for increased application material in relation to the extent of inclusion of original component auditors' work papers as audit evidence within the group audit files. Such additional application material could be example based and drawn from reasonable current practice taking into account that there may be regulatory or legal impediments to the transfer of working papers.</p> <p>(ii) Nothing further noted.</p> <p>(ii) A framework could be developed that illustrates the wide range of circumstances (permutations) that may affect the determination of the necessary nature, timing and extent of the group engagement team's involvement in the work of the component. For example, one extreme of the framework would indicate common policies and procedures, similar jurisdiction, same language, while the opposite extreme would be no common policies and procedures, dissimilar jurisdictions, different language.</p>

		(iv) The AUASB shares the view that ISA 600 requires change to keep up with diverse business structures, jurisdictional challenges and practical implementation issues. Such change could be effected through additional requirements (particularly in the areas named in GA1(a)), enhanced or additional application material and could include further illustrative examples.
22.	CAASB	<p>The AASB and our Canadian stakeholders believe the following actions would be:</p> <p>Meaningful:</p> <ul style="list-style-type: none"> • Strengthening ISA 600 to clarify nature, timing and extent of involvement in work of component auditors (para. 242(a)) – In Canada, the large accounting firms have developed significant guidance in this area to support consistent work effort. The AASB believes that there is a need for this type of guidance to be built into ISA 600. Some Canadian stakeholders have also expressed the need to consider defining the role and responsibilities of the group and component auditor and what would constitute sufficient evidence of direction, supervision, and analysis of the component auditor's work. • Strengthening ISA 600 to emphasize need for greater focus and professional skepticism (para. 242(b), 1st bullet) – Canadian regulators have noted lack of professional skepticism as a deficiency during group audit inspection findings. The group engagement team needs further guidance addressing how to demonstrate skepticism when assessing the work of component auditors. • Providing further examples in application material for varying levels of involvement (para. 242(c)) – Although paragraph A55 in ISA 600 discusses forms of involvement the group engagement team may have with the component auditor, it does not identify the conditions under which those levels of involvement may be appropriate. Some Canadian stakeholders have expressed the need for more guidance about when it may be appropriate to conduct site visits vs. review of component auditor's work remotely. Providing factors to consider when determining the appropriate level of involvement will assist auditors to operationalize the requirements in ISA 600. <p>Not supported:</p> <ul style="list-style-type: none"> • Strengthening the requirements in ISA 600 by requiring explicit determination about component auditors' work (para. 234(a)) – By reviewing the component auditor's work and signing off on the audit opinion, the engagement partner is already concluding about the component auditor's work. Therefore making it an explicit requirement will not change the outcome. • Developing application material to emphasize need to understand quality control monitoring and external quality control reviews for component auditors (para. 234(f)) – The AASB believes practitioners will not have access to quality control review results. Internal or external quality reviews are not usually shared with group auditors (especially if outside of the network). Therefore, this action will be difficult to operationalize. <p>Other consideration:</p> <p>The AASB would also raise the <i>quality</i> of the evidence and which country/ environment it is coming from as a consideration for using the work of component auditors. ISA 600 does not raise this as a consideration. Further guidance on this topic and how the evaluation of audit evidence may be impacted by the country of origin of the evidence could assist auditors in appropriately addressing these challenges when designing audit procedures.</p> <p>One Canadian stakeholder requested particular guidance for engagements where the group engagement team does not have access to the component auditor's working papers due to regulatory (state secrecy) restrictions. Considerations for how to demonstrate the group engagement team's evaluation of the component auditor's work and support the audit findings would be helpful for this scenario.</p>

23.	CNCC- CSOEC	<p>We believe that the main issue relating to the subject “Using the work of component auditors” and, more generally the subject of Group audits, is regarding the application of ISA 600, and perhaps its interpretation, rather than a specific need for a revision of the standard per se. ISA 600 already has requirements to address most of the issues raised in the ITC and it seems that it is the quality of application that is varied in practice, the root cause of which might lie elsewhere than in the standard itself.</p> <p>To address the issue mentioned in the paragraph 228, i.e. obtaining an understanding of the independence, competence and capabilities of component auditors, who are situated in a jurisdiction that:</p> <p>(a) Does not have similar legal and regulatory requirements as those that are applicable to the jurisdiction where the group engagement team is located; or</p> <p>(b) Has different:</p> <ul style="list-style-type: none"> – Oversight regimes; – Independence and ethical requirements; – Languages or cultures; – Licensing or accreditation requirements. <p>We encourage the IAASB to liaise with the IFIAR for the development of a specific data base, accessible to all practitioners, for each jurisdiction to provide a benchmark per jurisdiction in terms of compliance with auditing standards, accounting standards and ethical codes or rules. Such data base could be filled in with the Reports on the Observance of Standards and Codes (i.e. “ROSC”) of the World Bank as a primary source of information or any other reports issued for example by IFIAR.</p>
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	<p>We comment on the possible actions identified in paragraph 234 as follows:</p> <p>a) We believe that additional guidance might make sense at the planning stage when the group auditor makes a final determination as to whether or not to request a particular component auditor to perform work. Pursuant to ISA 600.19 and 20 the group engagement team is already required to obtain an understanding of specific matters relevant to the component auditor. Application material in paragraph A33 explains how a sliding scale approach may be applied. We believe this approach remains fit for purpose when applied properly, and thus further clarification may be needed rather than additional objectives and requirements in this area.</p> <p>b) We agree that application material might be useful. We do not believe the word “challenge” is appropriate in this context. The group auditor does not need to “challenge” the competency of a potential component auditor – rather it is a question of being satisfied that the component auditor has the necessary independence and competence etc.</p> <p>c) We are not convinced that the addition of specific examples within the standards would prove helpful. Often examples are deemed as best practice to be followed in all cases, detracting from a principles-based approach and potentially being applied to inappropriate circumstances. However, examples or case studies may be useful beyond the standards as reference material or to assist e.g., in training.</p> <p>d) Guidance concerning licensing requirements would need to emphasize the need for the group auditor to take account of the collective consideration of all relevant factors in paragraph A33. Looking at licensing requirements in isolation would be unhelpful.</p>

		<p>e) We agree that the issue of determining reliance on common policies and procedures needs careful consideration, although not in isolation. The second sentence refers to the need to take account of other relevant factors (in paragraph A33 of ISA 600). In our view this is of particular importance in this context.</p> <p>f) Whilst we agree in theory that issues such as oversight findings could be relevant, we would like to point out that the issue of access is likely to be of practical relevance in many jurisdictions. This issue cannot be solved by introducing requirements into standards.</p> <p>We comment on the possible actions identified in paragraph 242 as follows:</p> <p>a) We do not believe that it is necessary to strengthen ISA 600 in regard to the group auditor's involvement in work of component auditors. There are sufficient requirements in this area. However, their application in practice seems to be the issue, and so would best be dealt with by providing clarification. In this context, we do, however, agree that ISA 600 cannot be overly prescriptive as to how this involvement may be achieved in practice.</p> <p>b) We are not convinced that the need for professional skepticism should be emphasized in the context of interactions between group and component auditors, since this is not an area demanding skepticism; rather professional judgment and application of the risk based audit is called for. We support clarification of interrelationships between specified existing paragraphs in ISA 600 would be helpful.</p> <p>c) As noted elsewhere we do not believe that extensive use of illustrative examples in ISA 600 would necessarily be helpful. We believe it is important to emphasize the need to take all factors collectively (i.e., ISA 600.A33) into account in the context of the group auditor's consideration of a particular component auditor, as there can be trade-offs between individual factors.</p> <p>The nature, timing and extent of involvement of the group engagement team in the work of the component auditor definitely need to vary depending on the circumstances. ISA 600 uses a sliding scale approach in A33 whereby all of the factors need to be viewed collectively, not in isolation.</p> <p>It is not appropriate for the group auditor to (blindly) rely on common policies and procedures without further consideration. Group auditors would need to satisfy themselves that monitoring of common policies and procedures was applied satisfactorily. We agree that ISA 600 should be strengthened to require an explicit determination about whether the group engagement team can use the work of a potential component auditor. In our opinion this determination need not necessarily be made by the group engagement partner, but – in most cases – could be performed as part of planning work by the engagement team that is reviewed by the engagement partner.</p>
26.	JICPA	<p>Following are our comments on the actions outlined in paragraphs 234 and 242:</p> <p>◆ <i>Paragraph 234 (Issues relating to understanding the independence, competence and capabilities of the component auditors)</i> We believe that “strengthening the requirements in ISA 600 to clarify that the group engagement team should make an explicit determination about whether it is appropriate to use the work of a component auditor (paragraph 234(a))” would be the most meaningful action. We also believe, however, that an explicit determination should only be required on significant components (i.e., if the group engagement team requests a component auditor to perform work on financial information related to a significant component, the group engagement team should make an explicit determination). In addition, the application materials in ISA 600 should include sufficient and appropriate guidance on what basis for the group engagement team's explicit determination. Such guidance can be developed for two different scenarios: where the group engagement team and the component auditor belong to a network that has common quality control and monitoring policies and procedures, and where they don't.</p> <p>◆ <i>Paragraph 242 (Issues relating to the group engagement team's involvement in the work of the component auditors)</i> We believe that “providing further examples in the application material to illustrate the wide variety of circumstances that may affect</p>

		<p>the determination of the necessary nature, timing, and extent of the group engagement team's involvement in the work of component auditor (paragraph 242(c))" would be the most meaningful action. Of the examples included in paragraph 242(c), it would be particularly meaningful to provide the following:</p> <ul style="list-style-type: none"> - The component auditors and group engagement team are not subject to common policies and procedures - The professional oversight, discipline, external quality assurance, education and training, and professional organizations and standards differ between the component auditor and the group engagement team <p>The nature, timing, and extent of the engagement team's involvement in the work of the component auditor should be varied to suit the circumstances. We therefore see no need to include more requirements on this issue. The proposed examples illustrate that the types of involvement are varied to suit the circumstances. We therefore believe that the examples proposed would assist the group auditor in determining the level of involvement in the work of the component auditors in accordance with the extant requirements in ISA 600.</p>
27.	MAASB	<p>(i&ii) Overall, we support the actions identified in paragraphs 234 and 242 and believe that they will assist group engagement teams in evaluating their use of the work of component auditors. Expanding the guidance on the responsibilities of group engagement teams in understanding the component auditor and assessing their competence is important given the continuing changes in client organisations, often moving into territories that may be outside a group engagement team's network or have different jurisdiction or professional requirements.</p> <p>We believe that enhancing the application materials to more clearly address how group engagement teams can demonstrate the basis for their reliance on common policies and procedures in determining the necessary levels of involvement in the work of component auditors is most beneficial. This may help clarify how a group engagement team's procedures, including the nature and extent of those procedures, may differ between component auditors from within the same network and those from other networks.</p> <p>The considerations on what is necessary to place justifiable reliance would also need to factor in the differences that exist in networks. Networks vary in size, degree and maturity of common quality processes and methodologies and levels of network interaction with individual firms. Firms within a network, with assistance from network central functions can assess the basis for justifiable reliance against the considerations articulated in application material.</p> <p>(iii) There are a broad range of circumstances that may be encountered, reflecting the evolving corporate structures of large groups. In acknowledging the spectrum of engagements that exist, the ISA needs to address how evidence can be effectively shared across a group engagement, and also across other audit engagements that may be required within that group corporate structure. In acknowledging the broad spectrum of engagements that exist, it is not possible for the ISA to address all potential circumstances. As such, requirements need to set out broad principles that are capable of being applied to those varying situations.</p> <p>(iv) No further matters noted.</p>
28.	NBA	<p>(i) We concur with the observation that several issues have been identified regarding the use of the work of component auditors. In the Netherlands we perform many audits as described in paragraph 238. The NBA has provided guidance and application material to address these types of organization structures. We really appreciate to put this issue on the agenda and we ask the IAASB to prepare additional guidance and application materials. We suggest to use the existing Staff Audit Practice Alert Responsibilities of the Engagement Partner in Circumstances when the Engagement Partner Is Not Located Where the Majority of the Audit Work is Performed.</p>

		<p>Expanding the guidance is important because of the fast changing structures of multinational organizations, the impact of IT/technology, use of (external) databases, and the use of SSCs. For us, it is more meaningful when the IAASB would provide more application material including specific examples.</p> <p>In the current standards there is relative little reliance on the existence and use of networks. Most of the issues raised (independence, competence, engagement quality review, etc) have a link with the quality system as implemented within a network. We suggest to include the use of a network and reliance on global quality systems in the standards if appropriate functioning thereof can be clearly demonstrated.</p> <p>(ii) These actions are necessary because many issues are identified regarding group audits.</p> <p>(iii) In general, these questions focus on the use of the work of component auditors by a group auditor. We also see the need for more guidance for component auditors.</p> <p>(iv) We support the actions described, but also make the suggestion to discuss this issue with regulators and large organizations with activities all over the world.</p> <p>We recommend to take into account that more information is centrally available through external and internal databases, that remote access is possible, and that group audit teams are able to operate more integrated with component auditors.</p>
29.	NZAuASB	<p>There are very few complex cross border multi location group audits conducted in New Zealand that require the use of component auditors in other jurisdictions, and the majority of New Zealand constituents indicated that the issues noted in the ITC are not issues experienced in New Zealand. The overall view is that the issues are not with the standards, but with the application thereof. The NZAuASB considers it would be helpful to have more guidance on how to assess the competency of the component auditor, and to provide further examples to illustrate the variety of circumstances that may affect the determination of the necessary nature, timing and extent of the involvement of the group auditors in the work of the component auditor.</p> <p>(i) The NZAuASB considers that it would be helpful to have</p> <ul style="list-style-type: none"> • more guidance on how to assess the competency of the component auditor, especially when they are not part of the same member firm. • further examples to illustrate the wide variety of circumstances that that may affect the determination of the necessary nature, timing and extent of the involvement of the group auditors in the work of component auditors. <p>(ii) The NZAuASB believes the above actions would assist the group auditor with the new and continuing challenges in obtaining the necessary understanding of the competency of the component auditor, and the extent of the group auditor's involvement in the work of the component auditor, in more complex group structures which are continuing to evolve.</p> <p>(iii) Constituents have expressed the need for additional guidance in respect to:</p> <ul style="list-style-type: none"> • the required documentation with regard to how the group auditor has obtained sufficient appropriate evidence over the work of the component auditor • documenting the risk assessment performed by the group auditor when assessing the components. • the required communication between the group and component auditors. <p>(iv) The NZAuASB has not identified any potential consequences for further consideration.</p>

Accounting Firms		
30.	BDO	<p>(i) We support the guidance outlined in paragraph 234 regarding the provision of more examples – specifically those addressing the competence and capabilities issues highlighted in possible actions in paragraphs 234 (b) and (c). On balance, we support the possible action in paragraph 234 (a) although we note that rather than call this an ‘explicit determination’ it may be more practical to rephrase this to ‘initial determination’ given that facts and circumstances can and do change regardless of the extent of investigation that has been performed by the group engagement team or group engagement partner. ‘Explicit determination’ appears to sound more finite than necessary at this stage in the audit process. While we support the aims of the IAASB in paragraph 242 and we understand the rationale outlined in paragraph 235 for the position of not mandating a minimum quantitative threshold for the involvement of the group engagement team in the group audit, we believe that this could be an area for further consideration by the IAASB at some point in the future. In particular, we support paragraph 242 (b) with respect to clarifying the interrelationships between the various ISA 600 paragraphs in determining the nature, extent and timing of involvement in the work of component auditors. The provision of additional examples relating to different group structures (outlined in paragraph 242 (c)) or jurisdictional issues will also be helpful.</p> <p>(ii) See our answer to GA4(a)(i).</p> <p>(iii) None noted.</p> <p>(iv) None noted, except as indicated above.</p>
31.	CHI	<p>(i) The proposed actions in paragraphs 234 and 242 collectively would help to address the identified issues. We would regard the following as the most meaningful:</p> <ul style="list-style-type: none"> • Strengthening requirements regarding an explicit determination about whether it is appropriate to use the work of a component auditor (with appropriate supporting documentation). Additional application material is needed to help auditors make this determination; • Developing application material concerning the assessment of results of quality control monitoring and external quality control reviews; and • Strengthening the standard and application material concerning involvement as discussed in paragraphs 242a and 242b. <p>(ii) The actions we regard as most meaningful would greatly assist auditors in determining and documenting their reliance on component auditors and in their involvement with component auditors. Developing the application guidance would be particularly helpful in assisting auditors in practice.</p> <p>(iii) The proposed actions are comprehensive. We have further nothing to add.</p> <p>(iv) We have nothing to add.</p>
32.	DTT	<p>In general DTTL agrees with the suggested actions described in paragraphs 234 and 242 of the ITC, with the following specific comments:</p> <ul style="list-style-type: none"> • With respect to the proposed action in 234(e), DTTL notes the manner in which the GET treats component auditors that have common policies and procedures can vary in practice. For example, some GETs treat them the same as component auditors that do not have common policies and procedures (i.e. effectively placing no reliance on those common policies and procedures) and

		<p>some GETs place a high degree of reliance on those component auditors with common policies and procedures (without necessarily establishing that the policies and procedures are indeed common and reliable). DTTL, therefore, welcomes further guidance in this area to improve the consistency in the way that this situation is being addressed by GETs, and to provide guidance to the GET as to the appropriate considerations when determining the extent of reliance on common policies and procedures.</p> <ul style="list-style-type: none"> • DTTL has similar observations with respect to those actions proposed in paragraph 234(f) related to developing application material to emphasize the need for the GET to understand results of quality control monitoring and external quality control reviews, and similarly sees this as an area that would benefit from additional guidance to enhance consistency. • Improving the consistency of documentation of the significant judgments applied in determining the scope of involvement in the component auditors' work as stated in paragraph 242(b) (with additional guidance provided by ISA 600 to assist in this decision-making) would also be beneficial. <p>DTTL believes that the circumstances of the group audit (including the identified and assessed risks of material misstatement) should determine the nature, timing and extent of the involvement of the GET in the work of the component auditor. The response to QC4 is relevant to this determination where the component auditor is from the same network as the group auditor (and, therefore, subject to the same system of quality control). However, DTTL also believes that the standard should not attempt to be overly prescriptive in this area due to the wide variety in possible circumstances that could be encountered by the GET (e.g., factors such as the competence of the component auditor, the risks of material misstatement identified, the component's control environment, the jurisdiction in which the component operates may be important in considering the extent of involvement in the work of the component auditor; however, how these factors are considered and weighted may not be equal). Rather, additional guidance provided on a principles-based approach would be the most useful for the GET in determining how their circumstances determine their involvement in the component auditor's work. This guidance should link to the additional requirement and/or guidance proposed to be added with respect to documenting the basis for determining the involvement by the GET.</p> <p>Finally, DTTL also supports the proposal to require an explicit determination about whether the GET can use the work of a potential component auditor, with appropriate documentation as to the basis for this determination.</p>
33.	EYG	<p>We believe the most meaningful actions relating to using the work of the component auditor are those that involve:</p> <ul style="list-style-type: none"> ▶ Assisting the group engagement team in determining the appropriate level of their involvement in the work of component auditors (refer to (b)(i) below) ▶ Clarifying the basis for group engagement team reliance on common quality control policies and procedures, such as those present in a network (refer to (b)(ii) below) <p>Understanding the independence, competence and capabilities of the component auditors</p> <p>We are supportive of enhancing the application material related to the procedures that the group engagement team performs to fulfill their requirement to obtain an understanding of the component auditor, including to:</p> <ul style="list-style-type: none"> ▶ Expand upon the factors to consider in evaluating whether the component auditor possesses the appropriate competence and capabilities ▶ Provide more specific examples that address some of the practical challenges with understanding the component auditor's compliance with relevant ethical requirements

		<p>In regard to the proposed action to require an explicit determination of the ability to use the work of a component auditor, including our views on the different considerations that are involved depending on whether the component auditor is within the same network as the group engagement team, please refer to our response to (b)(ii) below.</p> <p>In regard to the proposal in paragraph 234(f) of the ITC for the development of application material to emphasize the need for group engagement teams to understand the results of quality control monitoring and any external quality reviews directly relevant to component auditors, refer to our response to QC4 related to communicating inspection results across the network for use by group engagement teams within the network. As it relates to obtaining information relevant to component auditors outside the network, such information is not publicly available for the majority of jurisdictions. Or, if publicly available, it is difficult to distill from it the expected effect on the quality of the work to be conducted by component auditors in the jurisdiction, let alone the specific component auditor for a particular group audit. For example, some public inspection reports explicitly indicate that the identified deficiencies are not necessarily representative of a firm's audit practice. Therefore, we would caution the IAASB against setting forth expectations, even if only in the application material, that group engagement teams will be able to effectively and consistently consider the effects of quality control monitoring and external quality reviews on the use of particular component auditors.</p> <p>Applying professional skepticism in judgments related to involvement in the work of the component auditors</p> <p>Paragraph 242(a) and (b) propose specific actions to demonstrate the need for greater focus and professional skepticism by the group engagement team on the significant judgments about the nature, timing and extent of the involvement of the group engagement team in work performed by the component auditors, and the need for appropriate documentation thereof. We agree that professional skepticism should be applied in determining the appropriate level of involvement, but we believe that focusing only on professional skepticism in this context is overly narrow. The group engagement partner and team should exercise professional skepticism in all the significant judgments related to the group audit – starting with the scoping of the audit and assignment of work to the component auditors and extending to the level of involvement in the work of the component auditors and supporting communications.</p> <p>As we expressed in our response to PS2, we would prioritize actions regarding improving professional skepticism related to enhancing auditor judgments but also those that enhance understanding the linkages among the relative roles of the engagement partner, the engagement quality control reviewer and the engagement/firm culture to the appropriate application of professional skepticism. As it relates to group audits, we believe that the role of the group engagement partner includes setting an appropriate group audit tone-at-the-top that instills responsibility for audit quality not only in the group engagement team members but that also affects the component auditors. Setting this tone-at-the-top would seem to require a certain level of involvement of the group engagement partner in the work of the component auditors. We encourage the IAASB to specifically consider this aspect in its revisions to ISA 600 to address the appropriate application of professional skepticism.</p>
34.	GTI	<p>In practice, challenges exist around the criteria by which the group auditor judges the sufficiency and the appropriateness of both the competency of the component auditor and the audit evidence required to meet the objective of gaining sufficient appropriate audit evidence on which to base the audit opinion. We do not believe that strengthening the requirements in ISA 600 for the group auditor to obtain an understanding of the component auditors would necessarily address the challenges of assessing their competency. The requirements currently include the appropriate factors that the auditor should consider and whilst we are not opposed to a requirement to make an "explicit determination" we do not believe that it will necessarily result in a change in the procedures performed by the group auditor. However, the inclusion of further application material may help the auditor in considering the individual elements of each factor and thus being able to more robustly challenge the competence of the component auditors. For example, this could include guidance on the factors the group</p>

		<p>engagement team should consider when assessing the component auditor's knowledge of auditing and accounting standards applicable to the group, including understanding their professional qualifications, practical experience and technical training undertaken.</p> <p>The nature, timing and extent of the group auditor's involvement in the work of the component auditor should vary based on the circumstances specific to the individual group engagement. The competence of the component auditor and the commonality of methodologies, quality control policies and procedures and the legal and business environment are all factors that should be weighed when considering the appropriate level of involvement. In practice, there is a vast spectrum of views about the appropriate nature, timing and extent of audit evidence needed. On one end of the spectrum is the view that no direct testing of the component information by the group auditor is needed, whilst on the other end of the spectrum, the view is that the group auditor needs to perform direct testing of component information, at a minimum, for those risks assessed as significant risks. Further, we understand that from the perspective of certain stakeholders, there is little value in the current approach of requiring the group auditor to be involved in the audit of the component as it is seen as a duplication of effort, especially when the component auditor is also the statutory auditor. We do not believe that strengthening the requirements in ISA 600 with respect to the nature, timing and extent of the group auditor's involvement with the component auditor will be of value. However, further guidance helping the auditor in making the determination of what is appropriate and when more work is required for a given set of circumstances may be useful. This could include better linkage between paragraphs within ISA 600 and other relevant ISAs and specific consideration as to whether the component auditor is a member of the same firm, is located in the same jurisdiction or has the same policies and procedures. This would be especially important in the audit of some of the more complex group structures, where components identified by the group auditors are also in fact groups of components. In these circumstances, the ISA does not make it clear if the group auditors' responsibilities end with the components that the group auditor identified or with the components of that component.</p> <p>Further guidance providing examples on the level of documentation required in this area may also assist the group auditor in demonstrating compliance with ISA 600, including the level of detail required when recording discussions with the component auditor, the level of detail required when recording follow up actions on issues identified by the component auditor or the level of detail required when recording review procedures performed on the component auditors audit procedures. There may also be some merit to the IAASB further exploring the a group audit model that is based on ISA 402, Audit Considerations Relating to an Entity Using a Service Organization, and ISAE 3402, Assurance Reports on Controls at a Service Organization, such that the component auditor would report in detail to the group auditor with respect to the work performed and the results of that work.</p>
35.	KPMG	<p>Using the Work of the Component Auditors (GA 4 and GA 8)</p> <p>The decision as to whether a group auditor will use the work of a component auditor should be focused on whether the use of the work of the component auditor will result in a more effective approach to obtaining sufficient appropriate audit evidence. The current approach focuses on whether a group auditor can use the work of a component auditor, and we therefore recommend a more balanced approach that also considers the benefits of using another auditor.</p> <p>For example, in many circumstances a component auditor will have a better understanding of the component jurisdiction, including its business culture, risks, laws and regulations, ethical standards, corporate governance standards and practices, customs, and language, which may be of particular importance in jurisdictions that are considered to be "higher risk" because, for example, they involve a rapidly changing regulatory and business environment, and are subject to heightened fraud risks. (GA 11)</p>

		<p>We also suggest that the Board consider inclusion of guidance as to how to use another auditor to best effect, for example, by setting out factors that a group auditor may consider in making this determination. This is of particular importance if the revised standard gives greater emphasis to taking a risk-based approach and therefore the group auditor is no longer constrained by traditional “scoping” decisions.</p> <p>We also recommend that the IAASB clarify the nature and extent of “sufficient, appropriate documentation” that needs to be held by a group auditor to demonstrate the nature and extent of their involvement in the work of the component auditor throughout the engagement.</p> <p>We do not believe that the ability of the group auditor to demonstrate their involvement through the documentation they hold would necessarily involve transfer of audit documentation from the component auditor to the group auditor. Instead we consider that the current flexibility afforded by the extant standard should be retained and it is important that the revised standard achieves an appropriate balance between enabling the group auditor to demonstrate their involvement whilst also focusing on the ability of the component auditor to demonstrate that they have appropriately performed the role assigned by the group auditor.</p>
36.	PwC	<p>(i) Subject to our specific comments below, we support the actions identified in paragraphs 234 and 242 and believe that they will assist group engagement teams in evaluating their use of the work of component auditors. Expanding the guidance on the group engagement team’s responsibilities in understanding the component auditor and assessing their competence is important given the continuing changes in client organisations, often moving into territories that may be outside a group engagement team’s network or have different jurisdiction or professional requirements.</p> <p>The ISA should reflect the spectrum of involvement of the group engagement team that may be necessary in the circumstances, based on professional judgement. We believe that enhancing the application material to more clearly address how firms and, through the guidance issued internally within a firm, group engagement teams can evidence how common network policies and procedures impact their levels of involvement in the work of component auditors is most beneficial – see our response to question QC4. This may help clarify how a group engagement team’s procedures, including the nature and extent of those procedures, may differ between component auditors from within the same network and those from other networks.</p> <p>(ii) See response to point (i).</p> <p>(ii) There are a broad range of circumstances that may be encountered, reflecting the evolving corporate structures of large groups. Further to our comments in response to question GA1, we believe that in acknowledging the spectrum of engagements that exist, the ISA (or separate standard) needs to address how evidence can be effectively shared across a group engagement, and also across other audit engagements that may be required within that group corporate structure. It is, however, not possible for the ISA to address all potential circumstances. As such, requirements need to set out broad principles that are capable of being applied to those varying situations.</p> <p>(iv) No further comments.</p>
37.	RBI	--
38.	RSM	<p>(i) We agree with the actions listed in paragraphs 234 and 242, in particular we believe that it is for the group auditor to determine for each component the nature, timing and extent of audit procedures performed by the group engagement team. Therefore we believe the proposals should allow the group auditor the flexibility to make and execute their assessment.</p> <p>(ii) The group auditor is best placed to make the assessment and should ultimately be responsible for the consequences if that assessment is not appropriate.</p>

		(iii) None. (iv) None.
39.	SRA	--
Public Sector Organizations		
40.	AGC	We believe the most meaningful action proposed would be to include in ISA 600 an explicit determination about whether it is appropriate for the group engagement team to use the work of a component auditor. We also recommend that ISA 600 use examples in the application guidance to inform how a group engagement team might obtain an understanding of the component auditor.
41.	AGSA	(i) Option a would provide the most guidance and possibly add the most value since it will describe the level and detail that the group auditor must be involved in the work performed by the component auditor especially the proposed action for the group auditor to conduct site visits. This will ensure that the group of auditors comply with the same quality and ethical standards (ii) This will ensure that the group of auditors comply with the same quality and ethical standards. (iii) None (iv) There might be resistance from either the group auditor to take responsibility over the work performed by the component auditor or the component auditor might be reluctant to take instructions made by the group auditors.
42.	GAO	In our view, ISA 600 should require an explicit determination about whether the group engagement team can use the work of a potential component auditor, and its application guidance should include examples of when to do so. Use of the work of a component auditor should be based on the group engagement team's understanding of the component auditor and the nature and extent of the work the component auditor will be asked to perform. The IAASB should also consider including more specific examples, related to ensuring the component auditor's compliance with relevant ethical standards, competence, and capacity.
43.	INTOSAI	We believe ISA 600 should require an explicit determination about whether the group engagement team can use the work of a potential component auditor and should include examples in the application guidance covering determinations such as based on the group engagement team's understanding of the component auditor, and the nature and extent of the work the component auditor will be requested to perform. We believe including more specific examples, related to the component auditors' compliance with relevant ethical standards, competence and capacity, may provide the group auditor additional guidance to determine and evaluate the competence and ethics of the component auditor.
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]

46.	ACCA	Our interpretation of paragraphs 19 and 20 of ISA 600 is that the actions outlined in paragraph 234 are largely already expected, and we see group auditors already making these kinds of judgement routinely during their audits. Given the complexity of factors that influence professional judgement in this area, we cannot see how 'stronger' standards can hope to document them fully. However, some of the material within paragraph 234 may be very helpful guidance for group auditors within application material.
47.	AIC	--
48.	AICPA	<p>We believe the nature, timing, and extent of involvement of the group engagement team with the work of the component auditor should vary depending on the circumstances. There are both similarities and differences in using a specialist and using the work of a component auditor. Another auditor is assumed to have the same knowledge and skills; using the work of a component auditor may be compared to using an assurance report on controls at a service organization under ISAE 3402, <i>Assurance Reports on Controls at a Service Organization</i>. We recommend that the IAASB explore the comparability and relationship in the ISAs of all parties whose work is used by the auditor to ensure a consistent approach is used in evaluating audit evidence from third parties, as appropriate.</p> <p>With regard to independence, practice is inconsistent as to whether independence is required at the group level or only at the component jurisdictional level; that is, does the component auditor need to be independent with respect to the group or only the component? Does the materiality of the component matter in this regard? We suggest that in conjunction with the IAASB's considerations regarding the ability to use the component auditor's work, the IAASB develop a list of issues for IESBA consideration similar to the example we have highlighted.</p>
49.	APESB	--
50.	CAANZ	<p>(i) We support the need for additional clarification in relation to using the work of component auditors, but believe that most of the clarification needed can be achieved through the development of application guidance</p> <p>(ii) See above.</p> <p>(iii) A more explicit to the link between component auditors' professional obligations under the IESBA's Code of Ethics for Professional Accountants to matters of access and confidentiality in the requirements would be useful as this would oblige component auditors to comply.</p> <p>(iv) Unintended consequences of more prescriptive requirements may include encouraging behavioural traits that focus on compliance and which run counter to the depth of thinking required for a quality audit. Also, there are already over 440 mandatory requirements in auditing standards. The cost of complying with an increased number or with increased prescription in mandatory requirements is not insubstantial. Any potential increase in audit quality would have to justify the cost of compliance. Any potential increase in audit quality also needs to take into effect the cumulative effect of additional mandatory requirements on an auditors' ability to apply appropriate time and judgement. This may be particularly pertinent to smaller firms of practitioners, sole practitioners or smaller audit engagements.</p>
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--

55.	CPAA	<p>(i) In our view, the most meaningful actions identified are:</p> <ul style="list-style-type: none"> • Clarifying the extent of involvement in the work of the component auditor when relying on common policies and procedures (such as in a network firm). • Confirming the need to understand the results of any internal or external quality control reviews of the component or other auditor. • Encouraging the group engagement team to challenge whether component auditors possess appropriate competence and capabilities. • Requiring the group engagement team to make an explicit determination about whether to use the work of a component auditor. <p>(ii) All of these actions are necessary in planning whether or how the work of a component auditor can be used. Addressing these matters in ISA 600 will assist the group auditor to identify likely shortcomings in the availability or reliability of evidence so that alternative sources of evidence can be included in the engagement plan.</p> <p>(ii) No further issues or actions identified.</p> <p>(iv) No specific consequences identified.</p>
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	<p>We are not overly supportive of the IAASB's intentions to strengthen ISA 600 in setting forth the nature, timing and extent of appropriate involvement of the group engagement team in the work of component auditors because of the reasons that the IAASB itself puts forward against doing so in paragraph 242 (a). That is, that ISA 600 should not be too prescriptive.</p> <p>We believe that guidance may prove of value in this area but would not necessarily support an additional requirement being included in ISA 600. We are also unsupportive of illustrative examples (as outlined in paragraph 242 (c)) being included in the ISAs albeit they may be of use in staff publications, for example.</p>
58.	★ FACPCE	--
59.	FEE	<p>(25) We agree with the actions proposed in the section "Using the Work of Component Auditors". The timing, nature, and extent of the group engagement team's involvement in the work of component auditors should be flexible enough to accommodate individual circumstances.</p> <p>(26) Care should be taken with regards to ISA 600 addressing financial statement materiality since primarily these issues should be the focus of ISA 320 Materiality in Planning and Performing an Audit. Nevertheless, it is a difficult area, and provided that component materiality is not addressed in ISA 320, additional guidance would be welcome in ISA 600 on what the component materiality allocation should be and how the group auditor could be guided to determine it.</p>

★ Responded to Overview questions of the ITC

		<p>(170) All actions outlined in paragraphs 234 and 242 are meaningful, except perhaps for paragraph 242 (c) for which the reason is elaborated further in (iii). Nevertheless, all of these actions would need to be considered in concert in order not to take restrictive measures that would be burdensome whereas one of these actions could be the most impactful.</p> <p>(171) We note that the existing Staff Audit Practice Alert “Responsibilities of the Engagement Partner in Circumstances when the Engagement Partner Is Not Located Where the Majority of the Audit Work is Performed” can be used for the situations described in paragraph 238.</p> <p>(172) These actions are necessary since the identification of significant versus non-significant components poses application issues.</p> <p>(173) In addition, it should be noted that some networks are more binding than others; the individual circumstances of each network should therefore be explored further. A sliding scale approach might need to be defined in order to assess whether reliance on the network can be used or not. When conducting a group audit, the reasons why the group auditor has decided to rely on the network, or not, should be clear.</p> <p>(174) Additionally, the IAASB should think about how the group auditor should demonstrate his/her involvement in the work of component audits in practice. We agree that the important point is that the group auditor should be able to explain, and be made accountable to, their rationale behind deciding on the level of involvement and why it is sufficient to conclude on this part of the group audit.</p> <p>(175) We do not support the inclusion of further examples in the application material as indicated in paragraph 242 (c). It is not that we doubt the value of such examples, but rather we believe that it would be better placed in case studies or examples in practice notes so that, as already mentioned previously, the standard does not become too lengthy or cumbersome.</p> <p>(176) When using the work of component auditors, it is important to consider situations when component auditors are requested to report to the group auditor before they have completely finalised their work locally. There is a risk in such situations that time pressure is such that the ability to step back and apply a sound professional judgement may be overlooked. ISA 600 could provide practical application material to explain how to deal with these situations.</p> <p>(177) Notwithstanding some of the issues and concerns we have raised, we still believe that the main issue is regarding the application of the standard, and perhaps its interpretation, rather than a specific need for a revision of the standard per se. ISA 600 already has requirements to address most of the issues raised and it seems that it is the quality of application that is varied in practice, the root cause of which might lie elsewhere than in the standard itself.</p>
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	<p>We agree that the nature, timing and extent of involvement of the group engagement team in the work of the component auditor should vary depending on the circumstances, including specific risks, complexity and other factors such as the jurisdiction in which the component auditor is located.</p> <p>We believe that the decision of whether to use the work of a component auditor should consider the benefits of using another auditor in order to result in a more efficient approach in obtaining audit evidence. Some of the benefits of using a component auditor include its better understanding of the jurisdiction where the component is located, including knowledge of laws and regulations, business culture and practices, customs and language.</p>

		We are supportive to strengthening IAS 600 to provide more clarity as to how the group engagement team determines the nature, timing and extent of its involvement in the work of component auditors. We also believe that the standard should be clearer on the nature and extent of the documentation that needs to be held by a group engagement team to demonstrate its involvement in the work of the component auditor.
63.	IRE-IBR	<p>(109) We believe that all actions outlined in paragraphs 234 and 242 are meaningful and responsive to the comments made by professional oversight bodies. However, the actions taken should allow for a flexible approach and would need to be considered in concert in order not to take restrictive measures that would be burdensome whereas one of these actions could be the most impactful.</p> <p>(110) All of these aspects build on the quality of the group audit.</p> <p>(111) It would be useful to have tools developed at international level to help auditors identify the laws and regulation applicable in the different jurisdictions where a specific group operates. Not only the information itself is important, but also the updating thereof. For the IAASB, this should not be a difficult exercise, as all of the network audit firms already dispose of such overviews. Perhaps it would be best if the IAASB would publish such information on IFAC's website, and the updating thereof could be in the hands of the IFAC member bodies (a good starting point might be given by the info of the network firms which is then reviewed by the IFAC member bodies under their responsibility).</p> <p>(112) We believe that the main issue is more linked to the application of the standard and how it has been interpreted rather than a specific need for a revision of the standard. ISA 600 already has requirements to address most of the issues raised and it seems that it is the quality of application that is varied in practice, the root cause of which might lie elsewhere from the standard itself.</p>
64.	ICAEW	<p>37. IAASB should explore the possibility of:</p> <ul style="list-style-type: none"> • specific requirements for component auditors to 'respond appropriately' to group auditor requests for information. • requiring component auditors to allow access unless there is a valid reason not to, and requiring component auditors to provide an explanation when access is denied, unless there is a valid reason not to. <p>We agree with IAASB's suggestion that ISA 600 should clarify situations in which it is not necessary for component auditors to comply with all ISAs.</p> <p>38. All of this would be helpful to direct component auditors in less developed jurisdictions and to deal with uncooperative firms. It would also help reduce some of the perceived, potentially anti-competitive effects of ISA 600 requirements that may be misused by some firms, networks and indeed regulators to effectively assert that audits are easier and more cost-effective if 'other' auditors are excluded from involvement with components.</p> <p>[Response to Specific Questions]</p> <p>(i) We do not believe that Including objectives or strengthening requirements to clarify that group engagement team should make an explicit determination about whether it is appropriate to use work of a component auditor would change behaviour.</p> <p>We agree that expanding A33 to result in a more robust challenge by group auditors regarding component auditor competence and capabilities might be helpful.</p> <p>Specific examples are always helpful, including examples of situations in which challenges are overcome, and of 'what 'good' looks like'.</p>

		<p>Different local licensing requirements apply to the vast majority of group audits. A list of points to consider in understanding the competence of component auditors might be helpful provided it is short and generic.</p> <p>Examples in the application material of differing circumstances might be helpful. IAASB might find that an appendix is useful to house examples.</p> <p>(ii) No answer given</p> <p>(ii) No answer given</p> <p>(iv) No answer given</p>
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	While it is expected that component auditors will adhere to the group auditor's instructions, there is also an expectation that the component auditor will exercise his/her professional judgement and communicate any matters, or additional risks, that should be considered at either the group level or in other components.
67.	ICAZ	<p>(i) Actions in par 234 a to f and 242 a to b</p> <p>(ii) No comment</p> <p>(ii) None</p> <p>(iv) None</p>
68.	ICPAK	<p>(i) The engagement team should make a determination whether they will need services of a component auditor and how to go about in determining the nature and extent of work</p> <p>(ii) None</p> <p>(iii) None</p> <p>(iv) None</p>
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	<p>We believe that the primary challenge lies in using the work of component auditors in jurisdictions which do not follow international accounting standards. By the same token, using the work of component auditors in jurisdictions where there are robust audit regulators would be less of a concern than one without regulatory requirements.</p> <p>To better illustrate, the IAASB could consider some form of guidance akin to the Singapore Audit Quality Indicators to assess suitability and competencies of the component auditors.</p>

★ Responded to Overview questions of the ITC

72.	KICPA	<p>(i) (a) Including more specific examples that address some of the practical challenges that have been identified related to understanding the component auditors' compliance with relevant ethical requirements, and their competence and capabilities, and (b) developing additional application material to address the impact on the understanding of the competence of the component auditors if there are different or no national or jurisdictional licensing requirements, are believed to be the most meaningful.</p> <p>In addition, including more examples of comprehensive circumstances that could impact the nature, timing, and extent of the work the component auditor will be requested to perform are also considered meaningful as well.</p> <p>(ii) Providing specific examples showing how ISA 600 requirements are applied in various circumstances would be one of the effective actions to improve the effectiveness of ISAs.</p> <p>Including more examples of comprehensive circumstances that could impact the nature, timing, and extent of involvement of the group engagement team in the work of the component auditor in application material would be most relevant to issues regulators raise, such as insufficient involvement of the group auditor in the work of the component auditor or the lack of clarity in the professional conclusion of the group auditor who is involved in the engagement. Plus, the action would contribute greatly to improving consistency in practice.</p> <p>(ii) We are not supportive of strengthening the requirements in ISA 600 to clarify that the group engagement team should make an explicit determination about whether it is appropriate to use the work of a component auditor. According to the paragraph 20 of current ISA 600, the independence and competence of the component auditor should be taken into account when determining whether it would be appropriate for the group auditor to use the works of the component auditor. We believe there would not be necessary to revise ISA 600 just for strengthening the requirements and requiring the explicit determination. .</p> <p>We fully understand the background behind the action to develop application material to emphasize the need for the group engagement team to understand the results of quality control monitoring and any external quality control reviews for component auditors, irrespective of whether the group engagement team and the component auditors are subject to common quality control monitoring mechanisms. However, it would not be easily applicable in practice, since the access to the results of the component auditor's quality control monitoring and external quality control review should be ensured.</p> <p>(iv) Please refer to answers in (ii) and (iii) of GA4 (a).</p>
73.	MICPA	--
74.	SAICA	<p>142. In terms of indicating which of the possible actions proposed by the IAASB would be most meaningful to address issues related to using the work of the component auditor, the survey respondents indicated their preference for the following four actions [the most meaningful listed first, from (1) to (4)]:</p> <p>(1) Strengthening ISA 600 to provide more clarity as to how the group engagement team determines the nature, timing and extent of the necessary involvement in the work of the component auditors, including more explicit focus on demonstrating why the involvement of the group engagement team is appropriate in light of all relevant considerations and the application of appropriate professional skepticism.</p> <p>(2) Including an objective or strengthening the requirements in ISA 600 to clarify that the group engagement team should make an explicit determination about whether it is appropriate to use the work of a component auditor.</p>

		<p>(3) Developing additional application material to address the impact on the understanding of the competence of the component auditors if there are different or no national or jurisdictional licensing requirements.</p> <p>(4) More explicitly explaining the interactions between the group engagement team and the component auditors in varying circumstances (e.g., in different group structures or in jurisdictions where restrictions on access exist).</p> <p>143. 92.9% of survey respondents indicated that they are not aware of other issues that the IAASB should consider relating to this section of the ITC.</p> <p>144. 88.9% of survey respondents indicated that they are not aware of other actions that the IAASB could take to address the issues highlighted in this section of the ITC.</p> <p>145. As indicated in our comments to question GA(1)(c) above (section Ca. of this comment letter) the standard should preferably deal with reliance on the audit opinion of a component auditor and reliance on the work performed by a component auditor separately as these two scenarios present different challenges. Extant ISA 600 deals with reliance on the work performed by a component auditor and it provides for an instance where the group auditor decides to use, for the group audit, the audit evidence on which the audit opinion of the component auditor is based, but with little application material or guidance for the latter.</p>
75.	SMPC	<p>The SMP Committee believes that guidance in the application material that assists the group auditor to make an explicit determination about whether it is appropriate to use the work of a component auditor is more likely to be helpful than including an objective or new requirements. In this context we also refer to our response to QC 4(b).</p> <p>We are concerned that developing application material to emphasize the need for the group engagement team to understand results of quality control monitoring may not be practical in all circumstances.</p> <p>We are not convinced that there is a need to strengthen ISA 600 to provide more clarity as to how the group engagement team determines the nature, timing and extent of the necessary involvement in the work of the component auditors, partly because as the ITC acknowledges it cannot be overly prescriptive in establishing these interactions and the different approaches which may be appropriate.</p> <p>We do not consider that extensive illustrative examples in ISA 600 would be particularly helpful. In our opinion, these detract from the principles based approach of the ISAs, but could be useful as separate material. This includes the proposals to include specific examples that address some of the practical challenges related to understanding the component auditor's compliance with relevant ethical requirements and to illustrate the wide variety of circumstances that may affect the determination of the necessary nature, timing and extent of the group engagement team's involvement in the work of the component auditor.</p>
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--

Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	<p>(i) Withdrawing from an engagement is not an option in most circumstances. From a “cost-to-the-client” perspective, the parent auditor may need to use the work of a component auditor (or costs are duplicated). In these situations, something like a pseudo-qualification for using the work of the component auditor may be appropriate in year one and drive changes to arrangements in year two – of course, this scenario needs considerably more deliberation.</p> <p>(ii) While a group audit report is a desired outcome, the commercial dimension and practical difficulties in of some of these engagements cannot be ignored.</p> <p>(ii) Refer above</p> <p>(iv) Refer above</p>
84.	JGrant	--
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA4. Using the Work of the Component Auditors

(b) Specifically:

- (i) Should the nature, timing and extent of involvement of the group engagement team in the work of the component auditor vary depending on the circumstances? If yes, how could changes to the standard best achieve this objective?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	<u>Involvement of the group auditor through review and retention of working papers</u>

★ Responded to Overview questions of the ITC

		We have concerns that we continue to see significant variation in practice with respect to the extent of involvement of the group auditor in the work of the component auditor. This includes a variety of practices in group auditor visits of component auditors, group auditor review of component auditor working papers and retention of component auditor working papers in the audit files of the group auditor.
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	[see p. 8 of comment letter]
17.	IOSCO	[see pp. 13 – 27 of comment letter]
18.	IRBA	See response to GA4(a)
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	See response to GA4(a)
National Auditing Standard Setters		
21.	AUASB	<p>Greater clarity could be provided to the group engagement team in determining the nature, timing and extent of their involvement in the work of the component auditors including explaining interactions and providing examples to illustrate the wide variety of circumstances impacting the determination of the nature, timing and extent of the group engagement teams involvement in the work of the component auditor.</p> <p>A framework could be developed that illustrates the wide range of circumstances (permutations) that may affect the determination of the necessary nature, timing and extent of the group engagement team's involvement in the work of the component. For example, one extreme of the framework indicating common policies and procedures, similar jurisdiction, same language while the opposite extreme being no common policies and procedures, dissimilar jurisdictions, different language.</p>
22.	CAASB	See response to GA4(a)

23.	CNCC-CSOEC	See response to GA4(a)
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	See response to GA4(a)
26.	JICPA	Please see our comment on GA(a) above.
27.	MAASB	<p>Yes, the nature, timing and extent of involvement of the group engagement team should always vary in the work of the component auditor, depending on the circumstances. The level of involvement needs to commensurate with the group engagement team's evaluation of the significance of the component, the identified risks of material misstatement, evaluation of the component auditor's competence, including use of common methodology and quality review processes. The ISA needs to reflect the need for a group engagement team to apply professional judgement.</p> <p>ISA should reflect appropriate justifiable reliance by an engagement team on common network policies and processes for audit quality. The extent of involvement will therefore vary based on whether a component auditor is from the same network or a different network, and based on the group engagement team's evaluation of the factors it considers in relation to how a component auditor from within the same network is applying those common network elements.</p> <p>We believe that relevant considerations related to each of these factors could be included within application material in support of existing requirements on the group engagement team's understanding of component auditors.</p>
28.	NBA	<p>Yes, the nature, timing and extent of involvement of the group engagement team should always influence the work of the component auditor. We believe that the standards should give more application material on scoping and the involvement of the group engagement team. For example by giving examples of specified audit procedures to be performed by a component team (no conclusion, but only the outcome of the specified audit procedures performed). Otherwise the concept of an integrated team could be introduced and implemented in the standards.</p> <p>The ISA needs to reflect how a group engagement team should apply professional judgment. They should give the flexibility to respond to various situations. We recommend the IAASB to provide application guidance for the various scenario's mentioned (see also GA1(d))</p>
29.	NZAuASB	The NZAuASB believes that the nature, timing and extent of involvement of the group engagement team in the work of the component auditor should vary depending on the circumstances, as currently required by ISA 600. Providing further examples to illustrate the wide variety of circumstances that that may affect the determination of the necessary nature, timing and extent of the involvement of the group auditors in the work of component auditors would be helpful.
Accounting Firms		
30.	BDO	Further to our earlier comments in this section, we believe that the ISA should reflect how there are a number of variables that could affect the need for more or less group involvement, ranging from competence to levels of communication.

31.	CHI	Yes. Changes are best achieved through the application material. Examples, as given in paragraph 242c, would help. The application material should also encourage flexible thinking, the use of judgment and the documentation of the approach taken.
32.	DTT	See response to GA4(a)
33.	EYG	Yes, we believe that the nature, timing and extent of involvement of the group engagement team in the work of the component auditor should vary depending on the circumstances. We favor the development of principles or objectives for appropriate involvement accompanied by the auditor's implementation of a risk-based approach in determining how best to achieve the objectives. The risk-based approach should involve taking into account the risks related to the audit areas and work performed by the component (and which influenced scoping decisions -- refer to GA7 for our further views on how risks should affect scoping decisions) in addition to the knowledge obtained about the competence and capabilities of the component auditor (refer to (b)(ii) below). We also agree that other factors or circumstances may affect the nature, timing and extent of involvement, including those that are included in paragraph 242 (a) and (c) of the ITC. We would add that whether the group audit is an initial audit, or, in a recurring audit whether the component has been included in scope for the first time, may also affect the level of involvement. Further, as we express in b(ii) below, the group engagement team may have access to more information about the competence and capabilities of component auditors within the network than outside the network. The information obtained, or the lack of information available, about a component auditor may affect the appropriate level of involvement by a group engagement team.
34.	GTI	See response to GA4(a)
35.	KPMG	See response to GA4(a)
36.	PwC	Yes, the nature, timing and extent of involvement of the group engagement team in the work of the component auditor should vary, depending on the circumstances. The level of involvement needs to be commensurate with the group engagement team's evaluation of the significance of the component, the identified risks of material misstatement, and evaluation of the component auditor's competence, including use of common network methodology and quality review processes. The ISA needs to reflect the need for a group engagement team to apply professional judgement. The extent of involvement will therefore vary based on whether a component auditor is from the same network or a different network, and whether there are any access, or other barriers, to involvement. We believe relevant considerations related to each of these factors could be included within application material in support of existing requirements on the group engagement team's understanding of component auditors. See also our response to question QC4.
37.	RBI	--
38.	RSM	Yes, see above.

39.	SRA	--
Public Sector Organizations		
40.	AGC	See response to GA4(a)
41.	AGSA	Yes, the nature, timing and extent of the involvement of the group auditors will be directly impacted by the identified client risk assessment and acceptance procedures performed. It will also be influenced by the group auditor's assessment and evaluation of component auditor and level of reliance that is planned to be placed on the work that they had performed. Timing should not be imposed but it should be compulsory for the interaction and involvement between group auditor and component auditor. Criteria could be developed for when it is necessary to do a site visit and when it would be appropriate to only receive a memo of work performed. This requirement should specifically address the scenario where the components should be audited in terms of statute or regulation.
42.	GAO	See response to GA4(a)
43.	INTOSAI	See response to GA4(a)
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	See response to GA4(a)
47.	AIC	--
48.	AICPA	See response to GA4(a)
49.	APESB	--
50.	CAANZ	We believe the role of the group engagement team should be flexible, particularly if the scope of ISA 600 is widened to include situations other than group audits where auditors need to use the work of other auditors as discussed in our response to GA1(d). We support the broadening of the standard to encompass a wider variety of circumstances but also the exploration of developing guidance for the existing (and any revised) standard to assist practitioners rather than impose new mandatory requirements.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--

53.	CIIPA	--
54.	CIMA	--
55.	CPAA	The nature, timing and extent of involvement of the group engagement team in the work of the component auditor will vary considerably depending on the circumstances. Consequently, application material in ISA 600 needs to address the range of circumstances which the auditor may face and how the group engagement team's involvement should respond to those differing circumstances.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	See response to GA4(a)
58.	★ FACPCE	--
59.	FEE	(178) Yes, it is without doubt that the timing, nature, and extent of this involvement should be appropriate in light of the individual circumstances. Providing illustrative examples in practice notes could help distinguish the varying levels of involvement of the group engagement team that may be appropriate in different circumstances as stated in paragraph 242 (c). For example, it is not always necessary to have a full scope audit since specified procedures might be sufficient. In addition, whether this is an issue for the ISA wording to be changed or whether this is a training issue that could be addressed outside of the ISA is worth debating.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	See response to GA4(a)
63.	IRE-IBR	(113) Yes, it is without doubt that the timing, nature and extent of this involvement should be appropriate in light of the individual circumstances. One of the area to be considered for additional or revised requirements and/or guidance is certainly the current requirement with respect to the level of work required by the component auditor depending on the nature of the component as additional flexibility in this area might lead to a more to the point group audit addressing significant risks more effectively and more timely. Flexibility should therefore remain to tailor the scope of the work of the component auditor in that respect. Guidance on allocation of group materiality may also be appropriate. (114) Providing illustrative examples could help distinguish the varying levels of involvement of the group engagement team that may be appropriate in different circumstances as stated in paragraph 242 (c). Whether this is an issue for the ISA wording to be changed for or whether this is a training issue that could be addressed outside of the ISA is worth debating.
64.	ICAEW	39. We agree with the IAASB that there is a need for changes to or supplementary requirements and/or guidance and/or examples concerning:

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		<ul style="list-style-type: none"> • component materiality and performance materiality, particularly in relation to material associates where the reporting entity's single largest asset is the investment in the associate; • the nature and extent of work to be performed on component auditor work, and the extent to which group auditors need to be involved with the work of the component auditor. This includes examples of when it is appropriate to visit, when it is acceptable to ask for files for review and when is it acceptable to review a questionnaire. There is a great deal of variation in practice. It appears that the first question audit inspectors often ask when reviewing group audits is whether the partner or manager visited component auditors. A positive response appears to be 'a big tick in many boxes,' but firms think it often a poor measure of the quality of the involvement, which varies. Short unfocussed visits and ill -informed or unwelcome visitors meeting with uncooperative hosts are not uncommon; • engagement acceptance and access to working papers - although there is a minority view that this is much less of an issues than it once was because of improved communications and regulatory pressure, and that more specificity would not be helpful; • 'letterbox audits' which continue to exercise firms asked to sign off on remote audits, as well as regulators. <p>Yes, the nature, timing and extent of involvement of the group engagement team in the work of the component auditor vary depending on the circumstances. It is important that ISA 600 acknowledges that where there are common methodologies and quality control procedures, and group auditors have evidence to show that they are effective, that less review work may be appropriate. ISA 600 should not imply that these commonalities are irrelevant.</p>
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	See response to GA4(a)
67.	ICAZ	No
68.	ICPAK	Yes ,This is to be left to the engagement team to determine according to the work to be carried out
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	See response to GA4(a)
72.	KICPA	The nature, timing and extent of the involvement in the work of the component auditor should be determined, according to individual circumstances. We think improvements could be made into application material or appendix to include more illustrative examples on comprehensive circumstances that could impact such determination.
73.	MICPA	--

★ Responded to Overview questions of the ITC

74.	SAICA	--
75.	SMPC	See response to GA4(a)
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	In an ideal circumstance, communications are not a problem. Issues arise when there are changes to the group structure – both acquisitions and disposals of components. Further guidance is needed for circumstances when the parent auditor is not able to plan ahead regarding communications and access.
84.	JGrant	--
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

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GA4. Using the Work of the Component Auditors

(b) Specifically:

- (ii) Should ISA 600 be strengthened to require the group engagement partner to make an explicit determination about whether the group engagement team can use the work of a potential component auditor?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]

★ Responded to Overview questions of the ITC

11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	[see p. 8 of comment letter]
17.	IOSCO	[see pp. 13 – 27 of comment letter]
18.	IRBA	See response to GA4(a)
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	See response to GA4(a)
National Auditing Standard Setters		
21.	AUASB	The AUASB views “Explicit determination” as additional audit effort particularly by way of documentation and does not consider that this would translate to an improvement in audit quality.
22.	CAASB	See response to GA4(a)
23.	CNCC- CSOEC	See response to GA4(a)
24.	HKICPA	[see p. 5 of comment letter]

★ Responded to Overview questions of the ITC

25.	IDW	See response to GA4(a)
26.	JICPA	Please see our comment on GA(a) above.
27.	MAASB	<p>We believe that group engagement teams are implicitly already responsible for making this determination. However, we do not believe explicit determination and related documentation would be helpful in all cases, as this may result in a somewhat unnecessary (excessive) work effort and documentation. A requirement for the group engagement team to explicitly document the conclusions for each individual component auditor is likely unnecessary, and unduly onerous in the case of a large group where a significant number of component auditors are involved. It would be more appropriate to focus on potential issues, that is, focus on component auditors where certain characteristics prompt a more detailed evaluation e.g., potential issues identified with regards to a component auditor's competence, or concerns over being able to be sufficiently involved in a component auditor's work (see access issues discussed previously).</p> <p>Explicit determination should be documented by the group engagement team where reliance is placed on the potential component auditor. This should be focused on only the material components which are deemed to be significant for the group.</p>
28.	NBA	We believe an explicit statement has no added value. Implicitly, this is already done.
29.	NZAuASB	The NZAuASB does not consider this is necessary, as the standard is clear that the group auditor has to assess competency of the component auditor. The issue is not with the standards, but with the application of the standards.
Accounting Firms		
30.	BDO	As described earlier in this section, we would support this change as it may help to focus the minds of group engagement partners and their teams on the planned information and work effort to be performed by the component auditor. See also our response to GA4 (a) (i).
31.	CHI	Yes.
32.	DTT	See response to GA4(a)
33.	EYG	<p>First, we assume that this explicit determination is intended to be made during the planning stages of the group audit. Accordingly, we would clarify that the group engagement team can only make an initial determination of whether they expect to be able to use the work, as opposed to a determination of whether they are able to use the work, which cannot be made until after the auditor has reviewed the required communications and conclusions from the component auditor.</p> <p>Secondly, as part of its exploration of the inclusion of responsibilities for component auditors in ISA 600, we believe that the IAASB should consider a requirement for component auditors to confirm to the group engagement team during the planning stage their expected ability to perform the work requested (i.e., by providing information about their ability to comply with the relevant ethical requirements and about their professional competence in addition to providing information about any expected barriers to performing the work that can be foreseen). This confirmation from the component auditors should then be a primary consideration by the group engagement team in determining whether the work of the component auditor should be able to be used, along with knowledge from any previous experience with the component auditor.</p>

		<p>Also, any approach to clarifying the determination by the group engagement team regarding the use of the work of component auditors may benefit from some extent of differentiation between using component auditors within the network and those outside the network. Specifically, group engagement teams have more information about the competence and capabilities of component auditors within the network through their knowledge of common policies and procedures, including policies specific to learning and competencies (e.g., required internal certification processes for specific financial reporting frameworks or auditing standards), as well as compliance with relevant ethical requirements. As we express in our response to QC4, for engagement teams that involve component auditors (or other auditors from individual firms within a network), it is important for these teams to be informed about the system of quality control in place across the network and to be able to place reliance on that system for the purposes of their engagements.</p> <p>We therefore support the proposed action in paragraph 242(e) of the ITC to develop application material to address how group engagement teams can demonstrate the basis for their reliance on common policies and procedures in determining whether to use (and the necessary involvement in) the work of the component auditors insofar that this application material takes into account our recommendation for determining at the network level that reliance can be placed on the network/firm system of quality control for the purposes of work performed by component auditors within that network.</p> <p>Given that engagement teams have a sufficient basis (and related documentation) for reliance on network systems of quality control and that consideration is given to any specific factors relevant to a component auditor based on the information obtained through the direct confirmation suggested above, we believe that an explicit determination about the use of the work of a component auditor that is within the network is not necessary, unless unusual or exceptional circumstances apply.</p> <p>For component auditors that are not within the network, the execution of paragraph 19 of ISA 600 can be handled also through requesting specific confirmation from the component auditor on their competence and capabilities (as suggested above) and supplemented by consideration of any previous experience with the component auditor. This information should be documented and already should implicitly, if not explicitly, evidence the conclusion to plan to use the work of the component auditor. However, we would not object to requiring an explicit conclusion in relation to the expectation that the group engagement team will be able to use the work of a component auditor outside of its network.</p>
34.	GTI	See response to GA4(a)
35.	KPMG	See response to GA4(a)
36.	PwC	<p>We believe that group engagement teams are implicitly already responsible for making this determination. However, we do not believe explicit determination and related documentation would be helpful in all cases, as this may result in a somewhat unnecessary (excessive) work effort and documentation. A requirement for the group engagement team to explicitly document the conclusions for each individual component auditor is likely unnecessary, and unduly onerous in case of a large group where a significant number of component auditors are involved. It would be more appropriate to focus on potential issues, that is, focus on component auditors where certain characteristics prompt a more detailed evaluation e.g., potential issues identified with regard to a component auditor's competence, or concerns over being able to be sufficiently involved in a component auditor's work (see access issues discussed previously in response to question GA2).</p>
37.	RBI	--

38.	RSM	We do not believe it necessary for the group engagement partner to explicitly determine whether the group engagement team can use the work of a potential component auditor because this measure would be to cherry pick one element of planning as requiring specific group engagement partner intervention over existing supervision and review requirements for the group engagement partner. However, the importance of this matter as one many planning considerations could be made more explicit through enhanced application material.
39.	SRA	--
Public Sector Organizations		
40.	AGC	See response to GA4(a)
41.	AGSA	Yes
42.	GAO	See response to GA4(a)
43.	INTOSAI	See response to GA4(a)
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	See response to GA4(a)
47.	AIC	--
48.	AICPA	See response to GA4(a)
49.	APESB	--
50.	CAANZ	We do not support a more explicit mandatory requirement. We believe that group engagement partners already assess the work of potential component auditors.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--

54.	CIMA	--
55.	CPAA	Yes, as noted in GA4(a)(i) above we support a requirement for the group engagement team to make an explicit determination about whether to use the work of a component auditor.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	See response to GA4(a)
58.	★ FACPCE	--
59.	FEE	(179) No, we do not consider this possible action to be of value. This determination is already part of the requirements included in ISA 600. In any case, it should be stated that the professional judgement of the group auditor will still be part of assessing whether the work of a component auditor can be used or not.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	See response to GA4(a)
63.	IRE-IBR	(115) No, we do not consider this possible action to be of value. This determination is already part of the requirements included in ISA 600. In any case, it should be stated that the professional judgement of the group auditor will still be part of the assessment whether the work of a component auditor can be used or not.
64.	ICAEW	We believe that ISA 600 already requires group auditors to determine whether it is appropriate to use the work of a component auditor. Auditors who fail to do so adequately, or who fail to document that consideration will not be persuaded to do so simply by ramping up the requirements. It would be more constructive to try and to establish why some auditors fail to meet regulatory expectations in this area - the answer is not likely to be straightforward and there may be a number of reasons, some of which may be beyond the scope of auditing standards.
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	See response to GA4(a)
67.	ICAZ	Yes
68.	ICPAK	No

★ Responded to Overview questions of the ITC

69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	See response to GA4(a)
72.	KICPA	Please refer to answers in (iii) of GA4 (a).
73.	MICPA	--
74.	SAICA	--
75.	SMPC	See response to GA4(a)
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	Documentation requirements mean that an implicit decision must be explicitly documented under the current requirements.
84.	JGrant	--

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85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA5. Identifying and Assessing the Risks of Material Misstatement in a Group Audit

(a) Paragraphs 243–253 set out matters relating to identifying and assessing significant risks in a group audit.

- (i) Which of the possible actions outlined in paragraphs 251–253 would be most meaningful to address issues relating to identifying significant risks for the group audit?
- (ii) Why do you believe these actions are necessary?
- (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
- (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]

★ Responded to Overview questions of the ITC

10.	CPAB	[see pp. 2 & 3 of comment letter]
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	--
17.	IOSCO	<p><i>Existing Guidance Related to Risk Identification by the Group Engagement Team</i></p> <p>We agree with the Board that the requirements in ISA 600 and related application material, as well as the requirements in ISA 315 would adequately require the auditors of group financial statements to obtain the necessary understanding of the entity and its environment in order to identify and assess the risks of material misstatement at both the group and component level. However, as most of the requirements lie in ISA 315 and ISA 330, we agree that a clearer link between these standards and ISA 600, along with corresponding application material, is necessary.</p> <p>While this existing level of guidance (i.e. the requirements in ISA 315, ISA 330, and ISA 600 and related application material), may work well in many group audit situations when the environment of the component is very similar to that of the group; we acknowledge that there are many situations in which the components are operating in diverse, foreign jurisdictions where the business and audit risks of the component are different from those encountered by the group engagement team. There may also be differences in the nature of the business at the component as compared to that in the jurisdiction where the group engagement team is located. These differences impact not only the identification and assessment of risks, but could have a fundamental impact on the effectiveness of planned audit procedures and the group engagement team's decision of the degree of involvement they need to have in the audit work performed by the component auditor. We believe that requirements and application material in ISA 600 should be expanded to highlight the importance of understanding the differences in environment of foreign jurisdictions and the nature of the component's operations and the impact this could have on the group audit.</p> <p>Paragraph 253(b) of the Paper contains the concept of clarifying or adding application material to emphasize that significant risks identified by component auditors for a specific component should also be considered at the group level by the group engagement team, to determine</p>

★ Responded to Overview questions of the ITC

	<p>whether those risks may apply more broadly to some, or all, of the components, or for the group overall. We believe this is an important concept, and thus should be included in an explicit requirement in ISA 600 (as opposed to in the application material).</p> <p><i>Component Auditor Risk Identification Process</i></p> <p>We agree with the view expressed in paragraph 198 of the Paper that it is necessary to clarify, and potentially expand on how a group engagement team is expected to apply the requirements in the standards related to identifying and assessing risks of material misstatement (including in relation to fraud), and responding to those risks, including requiring the component auditor to actively address these risks at the component level.</p> <p>Additionally, we believe that there should be an explicit requirement in ISA 600 for the group engagement team to require the component auditor of a significant component to engage in an active risk identification process, which could result in input being provided from the component auditor to the group engagement team, as part of a two-way dialogue between the group engagement team and the component auditor on risks of material misstatement. This would enable the group engagement team to consider the impact on the group engagement, and whether the identified risks are relevant to other components.</p> <p>Depending on the level of significance of the component, the guidance should specify that the component auditor should preliminarily identify risks that exist at the component level, independent of the group engagement team, as communication by the group engagement team of group audit risks first could result in a less robust preliminary risk assessment process by the component. Once the component auditor has completed its preliminary independent identification of risks at the component level, an on-going, two-way dialogue between the group engagement team and the component auditor should take place to allow for discussion of the preliminarily identified risks of material misstatement. This two-way dialogue and risk assessment procedures performed by both the group engagement team and component auditor will help to ensure a consistent understanding of the identified risks. This would alleviate the concern that the group engagement team may not fully understand the component's jurisdictional risks, or risks specific to the nature of the operations of that component at the component level.</p> <p>We believe that the application material in paragraph A22 of ISA 315 that describes which parties should take part in the discussion of the susceptibility of the entity's financial statements to material misstatement should be elevated to requirements.</p> <p>Extant paragraph A22 of ISA 315 states, in part, that "the engagement partner may discuss matters with key members of the engagement team including, if considered appropriate, those with specific skills or knowledge, and those responsible for the auditors of components, while delegating discussion with others [...]" (emphasis added). Extant paragraph A22 of ISA 315 also describes that it is "not always necessary or practical for the discussion to include all members in a single discussion (as, for example, in a multi-location audit), nor is it necessary for all of the members of the engagement team to be informed of all of the decisions reached by this discussion."</p> <p>Paragraph A22 of ISA 315, once elevated to requirements, should more directly state that the manner in which this discussion is conducted depends on the individuals involved and the circumstances of the engagement, which could include multiple discussions with component auditors. We believe the tone of paragraph A22 of ISA 315 should be revised to reflect the Paper's emphasis on two-way dialogue between the group engagement team and component auditors, rather than describing difficulties in and impediments to accomplishing this communication.</p> <p>The standard should be clear that risk assessment is an on-going, iterative process throughout the audit, and that communication between the group engagement team and component auditor should occur during the planning, execution, and completion phase of the audit as well, even if it is to confirm that there has been no change in the assessed risks. There should also be documentation of the back and forth dialogue between the group engagement team and component auditors.</p>
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18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	<p>As noted in our response to GA1, we support the IAASB's proposal that in addressing the concerns set out in paragraphs 244 to 245, there is a need to include more material in ISA 600 regarding the principles, requirements and related application material of ISA 315, and other relevant ISAs such as ISA 330, so as to better support the application of those ISAs in the context of a group audit engagement. In particular, these changes will help reinforce the risk-based approach i.e. that the understanding of the group and its components, the identification and assessment of risk, and the response to the risk, should be founded on the requirements and guidance in ISA 315, and the responses to the assessed risks of material misstatement are to be framed in terms of ISA 330, in each case applied at the level of the group financial statements (a 'top-down' approach). This will help group engagement teams better consider all aspects of where risks may exist in a group audit, and how those risks should be responded to, regardless of whether the response is then executed at a 'component' level or not.</p> <p><i>Re-examine the mechanisms in ISA 600 for focusing the work effort across the group</i></p> <p>We refer to these mechanisms in our response to GA1. We believe that the IAASB should re-examine the validity of these mechanisms as we question whether it appropriately reflects a 'top-down' approach to the assessment of risks of material misstatement and responses as set out in ISA 315 and ISA 330. During our outreach activity, we heard that because the group auditor scopes the work to be performed on a group audit by first allocating group financial information into "components" and then, having identified those components, has to allocate them into different levels of significance⁴³ (i.e. "two-tier mechanism"), the group audit may not always result in an appropriate top-down approach to the assessment of the risks of material misstatement at the group financial statement level in accordance with the principles of ISA 315. As a result, the responses to those risks, even if correctly determined in accordance with ISA 330, may not be appropriate in the circumstances. We agree with the IAASB's observation in paragraph 197 of the ITC that this "two-tier mechanism" may not appropriately focus the work of a component auditor on those aspects that are likely to be most significant in relation to the group financial statements (e.g. audit resources are targeted on testing transactions and account balances of the component's financial information, without any particular focus on areas of risk of the group financial statements).</p> <p>There are a number of other requirements and guidance (or concepts) that have been included in ISA 600 as a result of the work effort being driven on the basis of whether components are considered significant or non-significant. One particular example is the concept of component materiality (and component performance materiality). During our outreach activities, stakeholders alerted us to this matter by expressing the view that the ISA 600 two-tier mechanism exacerbates the issues surrounding the application of materiality in a group audit discussed in paragraphs 254-261 of the ITC. The concepts of component materiality and component performance materiality, being introduced to support the ISA 600 two-tier mechanism, are not well understood and there are many variations in practice. We question whether these concepts are even necessary. Absent the ISA 600 two-tier mechanism, component materiality and component performance materiality may not need to be determined by the group auditor, as ISA 320 would simply be applied instead (please also refer to GA6 in respect of component materiality matters).</p> <p>We have identified a number of other issues explained in the ITC that relate to inappropriate or ineffective performance of requirements and guidance that may be, in part, resolved through a return to a 'top-down' risk-based approach in accordance with ISA 315. For example, a</p>

⁴³ Identification of components that are significant due to financial significance, or likely to include significant risks (ISA 600.26-28).

		<p>lack of understanding of what is required under the ISAs to “audit a component” and challenges regarding the work effort for non-significant components. These challenges might be related to the fact that work effort is related to the size or nature of the component and not, per ISA 330, based on or responsive to the risks of material misstatement of the group.</p> <p>Accordingly, changing the scoping process in ISA 600 to align it more directly with the risk-based approach in ISA 315 and ISA 330 i.e. identifying and assessing the risks of material misstatement <i>for the group as a whole</i>, rather than focusing the determination of the necessary work effort on the determination of whether components are considered significant or non-significant, in our view would deliver a more effective audit of high quality and address a number of issues raised in the ITC.</p>
National Auditing Standard Setters		
21.	AUASB	<p>(i) Improvements are needed to ISA 600 to make more explicit reference to the principles, requirements and application material in ISA 315 and in ISA 330 including providing additional examples for relevant aspects and principles in ISA 315 and ISA 330 that may arise from a group audit.</p> <p>In addition, additional application material would be helpful in emphasizing that significant risks identified by component auditors should also be considered by the group component team to determine whether these risks may apply more broadly. Application material on communications upward from the component auditor to the group auditor could be strengthened as the group auditor is not necessarily the best placed to determine and understand the significant risks at a component level. Furthermore, further clarification would be helpful about how significant risks identified at a group level might impact on a component and how this is communicated to the component auditor.</p> <p>The AUASB supports the action to develop additional application material to further clarify the meaning of the phrase “of financial significance to the group”.</p> <p>(ii) Nothing further noted.</p> <p>(iii) Nothing further noted.</p> <p>(iv) The AUASB shares the view that ISA 600 requires change to keep up with diverse business structures, jurisdictional challenges and practical implementation issues. Such change could be effected through additional requirements (particularly in the areas named in GA1(a)), enhanced or additional application material and could include further illustrative examples.</p>
22.	CAASB	<p>The AASB and our Canadian stakeholders believe the following actions would be:</p> <p>Most meaningful:</p> <ul style="list-style-type: none"> Providing additional examples for relevant aspects and principles in ISA 315 and 330 that may arise from a group audit (para. 253(a)) – ISA 600 does not contain any specific requirements for identifying significant risks in a group audit. These requirements are contained in ISA 315. Canadian stakeholders are requesting further guidance in ISA 600 on how to apply ISAs 315 and 330 in a group audit environment. Guidance such as the risk factors discussed in Appendix 3 of ISA 600 and how these may impact classification of and work to be conducted at components would assist auditors to understand the implications of risks on the group audit. In particular, there is a need for guidance on how auditors fulfil the requirement in ISA 330 paragraph 18 for a group audit engagement. Guidance on how auditors design and perform appropriate substantive procedures for each material class of transactions, account balance, and disclosure, on which components, and how to determine when sufficient work has been done, will assist auditors to fulfil these requirements. This should be a top priority of this project.

		<p>Meaningful:</p> <ul style="list-style-type: none"> • Clarifying or adding requirements or application material to emphasize that significant risks identified at specific components be considered at group level also (para. 253(b)) – Risks identified by component auditors are addressed in the work conducted on the component but often are missed for further consideration for the group as a whole (or other components). If the risk is applicable to other components and not appropriately identified, then sufficient and appropriate audit evidence will not be obtained. By emphasizing consideration at the group level of significant risks identified at certain specific components, group auditors would better address and consider significant risks and their implications for the group as a whole. <p>Other consideration:</p> <p>The AASB did not arrive at a conclusion on the issue of pervasive significant risks. Some members are of the opinion that the standard requires clarification of how to address pervasive significant risks. Others believe this is an application issue and therefore more guidance should be added on determining how much work is enough. The IAASB may wish to investigate this further to ensure any proposed actions address the root cause of the issue. The AASB suggests that the IAASB consider this issue if other stakeholders identify this as a significant concern.</p> <p>The AASB also noted that shared services was mentioned as an issue in paragraph 244(d) of the ITC, however it was not addressed in any of the possible actions. One Canadian stakeholder raised a concern with group auditors not understanding how to treat shared services (as a significant component, or with group internal controls) and therefore not understanding the appropriate level of work that should be conducted. This may be another area for further guidance.</p>
23.	CNCC-CSOEC	The standard needs to continue emphasising the need for professional scepticism and professional judgement to be applied, rather than for the application of strict rules: even when the IAASB provides clarification on the issues identified, the auditor should keep in mind that he/she needs to exercise professional scepticism and professional judgement when deciding whether a component is considered significant or not and thus consider each situation on a case-by-case basis depending on all the facts and circumstances of a specific group engagement.
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	<p>We agree with the contention in paragraph 251 that taken together ISAs 315, 330 and 600 already include adequate requirements whereby a group auditor shall obtain the necessary understanding of the group and its environment. It therefore appears that it is the issues noted in paragraph 244 of the ITC that appear to need IAASB action.</p> <p>To the extent that group auditors are not becoming sufficiently involved in risk assessment and risk response for group audits, we appreciate that ISA 600 might usefully be more explicit as to how the requirements of ISAs 315 and 330 would be applied in group audits. In particular, adding application material to make the links between these standards more prominent as proposed in paragraph 252 may be helpful. In addition, we believe the IAASB should develop application material dealing explicitly with relatively new situations that are increasingly encountered in practice, e.g., shared services, outsourcing etc. Factors such as shared service centers are increasingly becoming an issue in practice.</p> <p>We comment on the possible actions identified in paragraph 253 as follows:</p>

		<p>a) We would discourage the IAASB from including too many examples within its standards. In this specific instance, we do not believe that examples would be particularly helpful. We suggest the links between ISA 600 and 315 and 330 be improved, as then additional examples would not be necessary.</p> <p>b) We agree that application material may be helpful in clarifying the requirements of ISA 315 27-29 concerning identification of significant risk in a group situation.</p> <p>c) It is already implicit in ISA 600.09(m)(ii) that a component is a significant component when it is likely to include significant risks of material misstatement of the group financial statements. We have difficulty in understanding the interrelationship between the identification of significant risks on the one hand and classification of components as significant and non-significant on the other, should circumstances arise whereby a significant risk that is pervasive to the group is not necessarily identified as a significant risk for an individual component viewed in isolation. We agree that clarification of such a circumstance would be helpful.</p> <p>d) We agree that clarification of how the phrase “of financial significance to the group” is intended to be interpreted in the context of the group auditor’s materiality considerations would be helpful.</p>
26.	JICPA	<p>Among the actions described in paragraph 253, we believe that “clarifying or adding to the requirements or application material to emphasize that significant risks identified by component auditors for a specific component should also be considered at the group level by the group engagement team, to determine whether those risks may apply more broadly to some, or all, of the other component or for the group overall (paragraph 253(b))” would be the most useful. This is a basic underlying principle in ISA 315 and ISA 600. As such, it would useful to emphasize it in ISA 600 (Revised).</p> <p>We do not support the action of “developing additional application material to further clarify the meaning of the phrase ‘of financial significance to the group (paragraph 253(d)).’” We fail to clearly understand the intent of this action. The extant ISA 600 defines a significant component from two aspects: the individual financial significance to the group, or it is likely to include significant risks of material misstatement of the group financial statements. ISA 600 requires that specific works be performed on financial information with these two types of significant components. And if the group engagement team does not consider that sufficient appropriate audit evidence on which to base the group audit opinion will be obtained, the group engagement team is required to select components that are not significant components and shall perform or request a component auditor to perform the work. We understand that the intention here is to apply the risk-based approach in ISA 315 and ISA 330 to the group audit situation, in light of the practicability and the group structures. This approach still seems valid to us. In addition, paragraph A5 of ISA 600 provides useful guidance on “individual financial significance to the group.” Expanding or changing the current concept of “individual financial significance to the group” would therefore lead to confusion.</p>
27.	MAASB	<p>(i&ii) The most meaningful action to address is to improve the linkage between ISA 600, and ISA 315 (Revised) and ISA 330 to better support the application of those standards in group audit engagements. Improving the linkage will enable the group engagement team to better consider and respond to risks in the context of group audits.</p> <p>(iii) See our response to question GA7.</p> <p>(iv) No further matters noted.</p>
28.	NBA	<p>(i) We agree with the actions outlined in paragraph 251-253 to make in ISA 600 more explicit references to the principles, requirements and related application materials in ISA 315 and ISA 330.</p> <p>We believe that ISA 315 provides an appropriate framework for the group engagement team’s understanding of the group and identification of risks.</p>

		<p>Most meaningful improvement necessary to ISA 600 is the requirement to acknowledge the existence of evolving environments and increasingly complex group structures.</p> <p>(ii) We believe that emphasizing key points from ISA 315 or ISA 330 appears reasonable since that will facilitate better linkage of the understanding of the group and risk assessment at the group financial statement level. Important to emphasize is that these key points should not be redundantly described in ISA 600.</p> <p>Such clarifications and examples should address issues such as existence of evolving environments, complex group structures and use of SSC's by the group.</p> <p>Communication and sharing of information, between component auditors and the group engagement team, both in respect of risk identification and other information, and as appropriate, across the population of component auditors would seem to be best practice. A group engagement team should make an assessment of whether risks identified by components is of impact on the group financial statements and may also be relevant to other components. The component auditor also has his own responsibility in identifying risks. Building such consideration into the requirements would appear reasonable.</p> <p>We believe further clarification is needed through application material of the definition of a significant component (including the phrase "of individual financial significance") and its relationship with "significant risks" would also seem responsive.</p> <p>(iii) The following situations are examples that could be described in various scenarios.</p> <p>The NBA supports bringing clarity to the question of what it means to apply all relevant ISAs in work conducted by the group engagement team. In particular, questions arise most commonly when the group engagement team determines that an audit of one or more account balances, classes of transactions or disclosures is necessary at the component level. In such cases, the component auditor is not conducting an audit of the full component entity., We are wondering whether in these cases certain ISAs and or requirements of certain ISAs are no longer relevant for the group or component.</p> <p>It is critical that a component auditor has a sufficient basis for reporting on a component to the group engagement team. We therefore fully support addressing in the ISA how audit evidence that has been gathered centrally is communicated and shared across teams; in this case both in respect of risk identification and other information.</p> <p>For example, with respect to a group engagement team's scoping, a SSC does not easily fall within the definition of a significant component and the determination of the work effort that is appropriate based on the requirements in ISA 600 therefore lacks clarity. We support clarifying the considerations in this area.</p> <p>We believe it will be important to recognize that potentially complex group structures will make it difficult for the group auditor to be closely involved in 'sub-consolidations'. For very large group audit engagements it will be impracticable for the group engagement partner to be involved across the entire spectrum of group sub-consolidations. The group engagement team needs to necessarily have an understanding of the group structure and sub-consolidation process but the quality of work at the sub-consolidation level is best addressed through the partner in the jurisdiction in which that consolidation is taking place.</p> <p>Similar considerations apply to engagements where the overall group engagement partner is located in a different jurisdiction from where the group entity management reside. In such situations, audit quality over the consolidation may best be enhanced by the partner in the other jurisdiction being responsible for that aspect of the engagement.</p> <p>(iv) No matters noted.</p>
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29.	NZAuASB	<p>(ii) The NZAuASB believes that improving the linkage between ISA 600, and ISA 315 (Revised) and ISA 330 may help the group engagement team in better considering all aspects of where such risks may exist in a group audit, and how those risks should be responded to, including at the component level.</p> <p>(iii) The NZAuASB has not identified any other actions to consider. A consistent view expressed by constituents is that there is a scope for application guidance, but not new requirements.</p> <p>(iv) The cost of compliance with increased requirements versus a possible increase in audit quality needs to be carefully considered.</p>
Accounting Firms		
30.	BDO	<p>(i) The matters outlined in paragraph 252 and to a more limited extent in 253 (a) about creating greater links and improvements to recognize the related areas in ISA 315 and ISA 330 are welcome suggestions.</p> <p>We are not convinced of the need for the possible actions outlined in paragraph 253 (b) and 253 (c) and believe the ISA is sufficiently clear on the treatment of pervasive significant risks of material misstatements or significant risks identified at the component level in terms of their impact at the group level.</p> <p>We support the possible action in paragraph 253 (d) to provide additional application material on the meaning of ‘financial significance’ to the group. This has been an area in which we have had to provide more guidance at a network level.</p> <p>(ii) See our answer to GA4(a)(ii).</p> <p>(iii) The sheer volume of ISA 600 and the fact that, as presently drafted, it attempts to focus on the group engagement team requirements – yet inevitably crosses (or infers) potential requirements that impact component auditors – leads to an ISA that may make application more difficult.</p> <p>Although we support a number of possible actions in paragraphs 251-253, we suggest that in approaching such actions, the IAASB consider that given ISA 600 is already a lengthy document (which can impair the ability of auditors and first time readers to fully understand, absorb and comply with its requirements), by adding yet more guidance, although in welcome areas, this may make the Standard unwieldy. Therefore, we suggest that the IAASB consider the best vehicle for issuing new guidance so that the ISAs can be sufficiently clear. For example, additional supplementary guidance or Staff FAQs could be issued separately from the ISA.</p> <p>Perhaps a more radical option (which the IAASB makes passing reference to in paragraph 199) could be to consider the creation of two ISAs - one focused on the requirements as they apply to group auditors and another ISA focused on component auditor requirements.</p> <p>(iv) None noted, other than as indicated above.</p>
31.	CHI	<p>(i) Improvements to ISA 600 are needed in this area. The adding of links to other ISAs is a minimum response. However, taking the actions listed in paragraph 253 will help with the practical application of the requirements of ISA 600 and can be seen as a clear effort to address the concerns.</p> <p>(ii) Auditors need further assistance with applying the “risk standards” in the context of a group audit. In this situation, a thorough response, particularly using additional application guidance will help address the identified concerns.</p> <p>(iii) We have nothing to add.</p> <p>(iv) We have nothing to add.</p>

32.	DTT	<p>In general, DTTL agrees with the suggested actions described in paragraphs 251 to 253 related to the GET's understanding of the components and identifying significant risks. In particular, DTTL notes that the identification of significant components by the GET is an activity that can be challenging and can cause confusion. For instance, it is unclear how the identification of significant components interacts with the identification of risks of material misstatement of the group financial statements by the GET (e.g., how do the risks of material misstatement drive determination of the significance of a component). In practice, as suggested by ISA 600, the GET would often use one or more benchmarks to identify financially significant components; however, it is sometimes unclear 1) how this process of determining benchmarks relates to the overall determination of materiality, and 2) how the GET should approach components which fall below the determined benchmarks but nonetheless contain other balances, transactions or disclosures that have risks of material misstatement that need to be addressed. DTTL, therefore, believes that the proposed actions in paragraph 253(c) and (d) (clarifying how significant risks are pervasive to the group and the meaning of the phrase "of financial significance") are important; however, these proposals would need to be considered in light of any potential changes to ISA 600 to reassess the current focus in the standard on identification of components (see the discussion in the executive summary and the response to GA7). In addition, further to the comment relevant to the importance of appropriate two-way communication in the response to GA3, DTTL believes that the communication of additional significant risks identified by the component auditors to the GET is an important procedure to strengthen the GET's understanding of the risks across the group and potentially alter the work or scoping in other areas of the group in response to this information. The proposed action in paragraph 253 (b) (clarifying that significant risks identified by component auditors for a specific component should also be considered at the group level by the GET) is, therefore, an important one.</p>
33.	EYG	<p>We agree with the views in paragraph 251-253 of the ITC that the existing requirements in ISA 600 related to risk assessment are sufficient for the group auditor to obtain the necessary understanding of the entity and its environment in order to identify and assess the risks of material misstatement at both the group and the component level, but improvements can be made to:</p> <ul style="list-style-type: none"> ▶ Better link these requirements to the underlying principles and requirements in ISA 315 and ISA 330 ▶ Provide more guidance and examples about the application of ISA 315 and ISA 330 in a group audit context, especially clarifications of the relationship and effect of significant risks identified at the group level to those at the component level (and vice versa) <p>We also suggest that the IAASB clarify, as part of a risk-based integrated approach to ISA 600, how the significant risks and other risks of material misstatement identified through the risk assessment process feed into the group audit strategy as a whole, including the scoping of the group audit (refer to GA7), the communication protocols (refer to GA3), and extent of involvement (refer to GA4). Specifically, we believe that implementing a risk-based approach does not mean only consideration of significant risks; it includes consideration of all risks of material misstatement at the group level that have been identified.</p>
34.	GTI	<p>We agree with the issues identified in this area and believe that providing further guidance and clarification may assist the group and component auditors in assessing significant risks and whether it is a group significant risk or is specific to the component.</p> <p>Also see the comment under GA3.</p>
35.	KPMG	<p>Identifying and Assessing the Risks of Material Misstatement in a Group Audit (GA 5 and GA 7)</p> <p>We support the suggestion to reinforce that the auditor's understanding of the risks of material misstatement builds upon the requirements in ISA 315 (Revised), and that the responses to the assessed risks of material misstatement are to be framed in terms of ISA 330. This clearer linkage will help group auditors to address risk more effectively and to use component auditors in a more focused way. In this regard</p>

		<p>we refer also to our comments above regarding moving away from a prescriptive standard that is based on a structural approach, to a principles-based standard that focuses on involvement of another auditor.</p> <p>As part of this, we encourage the IAASB to reconsider the binary terminology of “significant” and “non-significant” components. Instead, as we highlight above, we recommend that the standard build on the current approach to give greater emphasis to consideration as to where risks may arise, and the most appropriate approach to respond to such risks. The current approach set out in extant ISA 600 may result in group engagement teams focusing on coverage of account balances, or excluding certain components altogether on the basis that these may be categorised as non-significant, which we do not believe is the underlying intention of the ISA.</p>
36.	PwC	<p>(i) We agree that ISA 315 provides an appropriate framework for the group engagement team’s understanding of the group and identification of risks.</p> <p>In principle, emphasising key points from ISA 315 or ISA 330 (that are not already reflected in ISA 600 – either in the application material or appendices) appears reasonable if that will facilitate better understanding of the understanding of the group and risk assessment at the group financial statement level. Such clarifications can address issues such as complex structures and use of SSC’s by the group.</p> <p>It is important that ISA 600 supports what is necessary in a group context in applying ISA 315, recognising that the ISA 315 project will fundamentally re-assess the entire risk assessment process in the audit.</p> <p>Communication, and sharing of information, between component auditors and the group engagement team, both in respect of risk identification and other information, and as appropriate, across the population of component auditors would seem to be best practice. A group engagement team should make an assessment of whether risks identified by component auditors impact the group financial statements and may also be relevant to other components. Building such consideration into the requirements would appear reasonable.</p> <p>(ii) See response to point (i).</p> <p>(iii) See response to question GA7.</p> <p>(iv) No further comments.</p>
37.	RBI	--
38.	RSM	<p>(i) We agree with the actions listed in paragraphs 243 to 253.</p> <p>(ii) All are important matters for consideration.</p> <p>(iii) None.</p> <p>(iv) None.</p>
39.	SRA	--
Public Sector Organizations		
40.	AGC	<p>We support providing examples in ISA 600 related to group audit materiality and the risk of material misstatement. If ISA 315 and ISA 330 are revised, we also support providing examples in these standards related to group audit materiality and the risk of material misstatement.</p>

		We also believe clarifying or adding application guidance related to a group auditor considering the significant risks identified by the component auditor would be meaningful in addressing the issues outlined.
41.	AGSA	<p>(i) Option c and d would be of most value. Mainly because risk identification will have been done on a component level and group level however the difficulty comes in when trying to link these identified risks to the group as a whole and designing an appropriate response to those risks. Details of when a risk identified at component level will be considered as significant at a component level in other words making it a pervasive risk is crucial. If the principle is accepted that the risk assessment of the auditors at each level (component and group) will be the most appropriate, it is crucial to determine their respective impact on each other. Furthermore, more guidance is required in this identification. The application material merely indicates that 15% of a chosen benchmark could be appropriate.</p> <p>(ii) This is a very important decision as it will not only impact the group audit report but also individual component audit reports. If a matter is identified at component level and it is determined that this risk is significant and pervasive to the group, mention must be made at group level if these risks cannot be mitigated to an acceptably low level. The other scenario also exists, if a risk is identified at group level that is of such high importance that it will influence the risk at component level, the auditors of those components must evaluate those risks and design appropriate actions to mitigate them if possible. Examples will provide more guidance for the different circumstances.</p> <p>(iii) None</p> <p>(iv) None</p>
42.	GAO	We prefer support providing examples in ISA 315 and ISA 330 related to group audit materiality and the risk of material misstatement, but could support inclusion of such examples in ISA 600 application material. The IAASB should consider adding application guidance related to significant risks identified at the component level to ensure that these risks are considered by the group auditor, as listed in paragraph 253(b).
43.	INTOSAI	We support providing examples in ISA 600 related to group audit materiality and the risk of material misstatement, but if ISA 315 and ISA 330 are revised, we would also support providing examples in them related to group audit materiality and the risk of material misstatement. The addition of application guidance related to significant risks identified at the component should be considered to ensure significant risks at the component level are considered by the group auditor, as listed in paragraph 253(b).
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	We agree with the analysis in paragraph 251. We would prefer examples being made available of what a proper application of ISA 600 in complex scenarios looks like, rather than more detail being added to ISAs.
47.	AIC	--

48.	AICPA	<p>We agree with the possible actions suggested to address the issues, including the proposal to enhance ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment. Two-way communication is essential in every audit but takes on greater significance in a group audit situation. Group auditor and component auditor should work together to coordinate risk assessment, rather than having the group auditor dictate instructions with no input from the component auditor. Guidance for the component auditor would be helpful to address situations such as</p> <ul style="list-style-type: none"> • Inappropriate instructions are received from the group auditor based on their faulty understanding of the component. • Whether evidence obtained from the group auditor regarding a receivable from the parent to the component is independent evidence. • The component auditor's reporting obligations when the component auditor becomes aware of material risks at the group level not applicable to the component. • Situations where the group auditor is taking audit responsibility for certain financial statement accounts or assertions of the component. <p>We also agree with the issues and possible actions identified with regard to the use of shared service centers in group audits.</p>
49.	APESB	--
50.	CAANZ	<p>(i) We believe that the priority should be placed on providing application guidance to assist practitioners to deal with risk assessment in the wide variety of scenarios which exist in practice rather than in the imposition of additional mandatory requirements.</p> <p>(ii) See earlier comments about the impact of imposing additional mandatory requirements versus the benefits of providing guidance on applying the existing principles.</p> <p>(iii) No further comments.</p> <p>(iv) Unintended consequences of more prescriptive requirements may include encouraging behavioural traits that focus on compliance and which run counter to the depth of thinking required for a quality audit. Also, there are already over 440 mandatory requirements in auditing standards. The cost of complying with an increased number or with increased prescription in mandatory requirements is not insubstantial. Any potential increase in audit quality would have to justify the cost of compliance. Any potential increase in audit quality also needs to take into effect the cumulative effect of additional mandatory requirements on an auditors' ability to apply appropriate time and judgement. This may be particularly pertinent to smaller firms of practitioners, sole practitioners or smaller audit engagements.</p>
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	<p>(i) We consider that the most meaningful actions of those identified are:</p> <ul style="list-style-type: none"> • Emphasising that significant risks at the component level should be communicated and considered at the group level.

		<ul style="list-style-type: none"> Clarifying how significant risks at the group level impact whether a component is considered significant. <p>(ii) We consider that the component auditor needs to respond to the risks identified at the group level in order to provide the necessary audit evidence for the group audit. Likewise communication of risks identified at the component level is important in informing the group engagement team's assessment of risks at the group level.</p> <p>(iii) No further issues or actions identified.</p> <p>(iv) No specific consequences identified.</p>
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	We believe that emphasizing the links between ISA 600, ISA 330 and ISA 315 would be of value and we are somewhat supportive of the work outlined in paragraph 253 albeit we would wish to understand more about the extent of the work proposed in "clarifying".
58.	★ FACPCE	--
59.	FEE	<p>(27) To respond to identified risks of material misstatement in a group audit, it would be important to clarify how to scope the work that needs to be done at group level on non-significant components. The main problem is not the identification of components per se but the combination of a 'bottom up' and 'top down' approach to the assessment of the risks of material misstatement. The IAASB should be careful not to impose too many fully-scoped non-significant components, which may be of only marginal benefit to the group auditor.</p> <p>(28) We should not ignore the access problem for regulators when it comes to the cross-border visibility of the working papers of component auditors. This issue makes them exaggerate the importance of documentation by the group auditor in order to be able to demonstrate how sufficient audit evidence has been obtained in such cases. However, in our view it would be inappropriate for the IAASB to take sole responsibility for solving this structural issue.</p> <p>(180) The cross referencing of ISA 600 to the existing requirements and application material already included in ISA 315 and ISA 330 will help reinforce the need to consider the wider suite of ISAs.</p> <p>(181) These actions are necessary because of the observed difficulties in practice as noted in the ITC.</p> <p>(182) The analysis made in the ITC captures the relevant topics.</p> <p>(183) The standard needs to continue emphasising the need for professional scepticism and professional judgement to be applied, rather than for the application of strict rules. Even when the IAASB provides clarification on the issues identified, the auditor should keep in mind that he/she needs to exercise professional scepticism and professional judgement when deciding whether a component is considered as significant or not, and thus consider each situation on a case-by-case basis depending on all the facts and circumstances of a specific group engagement.</p>
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.

★ Responded to Overview questions of the ITC

61.	IBA	--
62.	IBRACON	<p>We support the proposal to make a more explicit reference to the requirements and application material in ISA 315 (Revised) and ISA 330. This clearer linkage will help group auditors to address risks of material misstatements more effectively and contribute to focus the work of the component auditors.</p> <p>In addressing this issue, we believe that the IAASB should reconsider whether the classification of components as “significant” and “non-significant” is aligned to the requirement to identify and assess risks of material misstatement at the group level. For example, specific risks may arise in a particular component that may be classified as a “non-significant” component. Accordingly, the concept or significance should not be only based on size of the component but also based on specific risk factor. Changes in the standard could place a greater focus on addressing these risks rather than on size of the component and/or specific account balance.</p>
63.	IRE-IBR	<p>(116) The cross referencing of ISA 600 to the existing requirements and application guidance in ISA 315 and ISA330 will help re-enforce the need to consider the wider suite of ISA and perhaps including the guidance on the interaction of significant risks and the way in which the auditor might respond to these given the understanding of the group and its components (significant and non-significant) might be most effective.</p> <p>(117) The observed difficulties in practice as noted in the invitation to comment.</p> <p>(118) No, the analysis made in the ITC captures the most relevant topics.</p> <p>(119) The standard needs to continue to emphasize the need for professional judgement, rather than the application of strict rules: even when the IAASB provides clarification on the issues identified, the auditor should keep in mind that he/she needs to exercise professional skepticism when deciding if a component is considered as significant or not and thus consider each situation on a case-by-case basis.</p>
64.	ICAEW	<p>(i) All of the possible actions outlined are worthy of consideration.</p> <p>(ii) No answer given</p> <p>(iii) No answer given</p> <p>(iv) No answer given</p>
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	<p>We believe that the cross-referencing and linking of ISA 600 to the existing requirements and application material already included in ISA 315 and ISA 330 will help to reinforce the need to consider the wider suite of ISAs.</p> <p>We would like to stress however, that the use of ADMs and SSCs is not restricted to ISA 600 and therefore specific guidance on the appropriate procedures and approach to be applied when using ADMs or SSCs in the audit process, is required throughout the suite of ISAs.</p>
67.	ICAZ	<p>(i) Par 253 a to d</p> <p>(ii) These actions would assist in responding to identified component risks at group level and consistently apply the concept of significant components and significant risks</p> <p>(iii) None</p>

		(iv) None
68.	ICPAK	--
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	<p>(i) (a) Providing further clarification about how significant risks that are pervasive to the group impact whether a component is to be considered significant and (b) developing additional application material to further clarify the meaning of the phrase “of financial significance to the group” are considered most meaningful.</p> <p>(ii) With the increasingly complex and varying group structures, we have difficulties in practice with identifying and assessing the risks of material misstatement, and then determining which component is significant. The actions, answered in (i) of the above GA5 (a), are considered helpful to addressing and resolving the difficulties in practice, not to mention that they are necessary to develop ISAs up to the changing auditing environments.</p> <p>(iii) Please refer to answers in GA1 (a).</p> <p>(iv) Please refer to answers in (ii) and (iii) of GA5 (a).</p>
73.	MICPA	--
74.	SAICA	<p>146. In terms of indicating which of the possible actions proposed by the IAASB would be most meaningful to address issues related to identifying significant risks for group audits, the survey respondents indicated their preference for the following four actions [the most meaningful listed first, from (1) to (4)]:</p> <p>(1) Improvements to provide more explicit reference to the principles, requirements and related application material in ISA 315 (Revised) and in ISA 330 to support application of those ISAs in group audit engagements.</p> <p>(2) Providing further clarification about how significant risks that are pervasive to the group (and therefore exist at all components) impact whether a component is to be considered significant.</p> <p>(3) Clarifying or adding to the requirements or application material to emphasize that significant risks identified by component auditors for a specific component should also be considered at the group level by the group engagement team, to determine whether those risks may apply more broadly to some, or all, of the other components or for the group overall.</p> <p>(4) Developing additional application material to further clarify the meaning of the phrase “of financial significance to the group,” as this may also help address some of the challenges in identifying significant components.</p>

★ Responded to Overview questions of the ITC

		<p>147. 92.6% of survey respondents indicated that they are not aware of any other issues that the IAASB should consider relating to this section of the ITC.</p> <p>148. 85.2% of survey respondents indicated that they are not aware of other actions that the IAASB could take to address the issues highlighted in this section of the ITC.</p> <p>149. The need for additional guidance for the determination of significance for investments that are not consolidated but equity accounted was highlighted.</p> <p>150. A concern was also raised that if most of the possible actions are addressed through application material, behaviours will not change until they are actually included in the requirements of the standard.</p>
75.	SMPC	<p>In our opinion, if the links that are stated as needed between ISA 600, ISA 315 (Revised) and ISA 330 are included, so as to better support application of those ISAs in group audit engagements, then providing additional examples may not be required.</p> <p>We agree that clarifying the application material to emphasize that significant risks identified by component auditors for a specific component should also be considered at the group level may be helpful. In addition, we support further clarification about how significant risks impact whether a component is considered significant and application material to further clarify the meaning of the phrase “of financial significance to the group”.</p>
76.	WPK	<p>We support the idea that the auditor’s understanding of the risks of material misstatement should be increasingly based upon the requirements in ISA 315 as well as that the responses to the as-sessed risks of material misstatement are to be framed in terms of ISA 330. This better linkage may support group auditors to address risk more effectively.</p>
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	<p>(i) The actions are meaningful but changes to group structures, and changes to senior personnel in groups can upset the planning and risk assessments. Management communications of proposed group changes need to be strengthened, albeit that they are often considered sensitive by the client.</p> <p>(ii) Refer above</p> <p>(iii) Refer above</p>

		(iv) Refer above
84.	JGrant	--
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

Prepared by: IAASB Staff (June 2016)

GA6. Issues Relating to Component Materiality and Other Aspects of Materiality Relevant to Group Audits

(a) Paragraphs 254–261 set out issues relating to applying the concept of materiality in a group audit. Do you agree with the possible actions recommended in paragraph 261 to clarify the different aspects of materiality in a group audit? If not, please indicate which actions are not appropriate and describe why.

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--

★ Responded to Overview questions of the ITC

Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	<p><u>Component materiality</u></p> <p>In our inspections, we find inconsistency among audit firms in the approach to determining component materiality. Many firms have adopted quantitative guidance for component materiality based on the number of identified components to reduce to an appropriately low level the aggregation risk of uncorrected and undetected misstatements to the group financial statements. However, in the absence of quantitative guidance it is not uncommon to find component materiality that is equal to or just marginally less than group materiality. This inconsistency indicates that the concept of aggregation risk is not clearly defined in the standards and is not well understood by some group auditors. We believe it is important for improvements in practice in addressing aggregation risk and establishing component materiality to be made as part of the revisions to ISA 600. Due to the prevalence of this topic, we do not support waiting for a separate project on materiality to address this issue.</p>
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ESMA	--
14.	H3C	--
15.	★IAIS	--
16.	IFIAR	<p><i>Materiality</i></p> <p>35. We believe that the application of the concept of materiality specifically in a group audit context requires clarification [ITC §260–261]. In particular, the notion of “aggregation risk” in relation to the required work effort, establishing component materiality, as well as identifying significant components, would benefit from more clarity in ISA 600 to ensure that the standard can be consistently applied.</p> <p>36. Furthermore, while we understand the need for compatibility between the accounting standards and auditing standards regarding the concept of materiality, we do not believe that action from the IAASB in this regard should depend solely on the progress of the International Accounting Standards Board’s project on the same issue [ITC §260]. We encourage the IAASB to move forward timeously in addressing materiality in a group audit context, in particular component materiality and “aggregation risk”.</p>
17.	IOSCO	<p><i>Issues Relating to Component Materiality and other Aspects of Materiality Relevant to Group Audits</i></p> <p>We are of the view that the determination of component materiality and component performance materiality needs to be addressed in ISA 600 in a more robust and comprehensive manner. We have observed considerable variation in practice in how these amounts are</p>

		<p>determined. Notwithstanding the Board's position that its actions with respect to materiality concerns for group audits should not prejudice the outcomes of the IASB's work on materiality, we strongly encourage the Board to develop further requirements or application material in ISA 600 that would not infringe upon the basic principles in ISA 320, but would address the considerations that the group engagement team should take into account in determining component materiality and component performance materiality as these concepts are not fully explained in ISA 600. We are also of the view that there should be an explicit requirement for the group engagement team to document its rationale for the determination of component materiality and component performance materiality.</p> <p>Further exacerbating the lack of clarity of materiality concepts for components, in our view, is that the link between ISA 320 and ISA 600 is not sufficiently clear. It is not apparent how the determination of materiality under ISA 320 for the group financial statements as a whole is intended to flow through to the determination of component materiality. Further guidance in ISA 600 is needed in this regard.</p>
18.	IRBA	<p><i>Component Materiality</i> [ITC question GA6]</p> <p>101. There is confusion and significant variation in practice relating to the auditor's understanding of component materiality and component performance materiality.</p> <p>102. Although many of the issues related to component materiality are linked to ISA 320, we believe that the application of the concept of materiality, specifically in a group audit context, requires clarification.</p> <p>103. While we understand that the work currently being undertaken by the International Accounting Standards Board (IASB) on materiality may give rise to further implications to the ISAs related to materiality, we do not believe that action from the IAASB in this regard should depend solely on the progress of the IASB's project on the issue.</p> <p>104. Since component materiality is one of the topics identified in the results of the post-implementation review of the clarified ISAs (refer to paragraph 8 above), we encourage the IAASB to move forward on a timely basis to address component materiality in ISA 600.</p> <p><i>New Standard on the Roles and Responsibilities of Component Auditors</i></p> <p>105. The ITC mentions that the IAASB may find it necessary to develop a new standard for auditors who serve as component auditors, and this might contain specific requirements and application material directed at component auditors.</p> <p>106. We believe ISA 600 could be strengthened in this regard and that the IAASB could consider developing a new standard for component auditors at a later stage.</p>
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	<p>We support the IAASB's view that many of the issues related to component materiality, summarised in paragraphs 254-255 of the ITC, are intrinsically linked to the requirements and guidance in ISA 320, and therefore, if retained cannot be resolved in the context of a project that is addressing ISA 600 more broadly. As noted in our response to G2, we acknowledge that work currently being undertaken by the IASB may also give rise to further implications for ISA 320.</p> <p>However, during our outreach activity, stakeholders confirmed the view expressed in paragraph 254 of the ITC that there is confusion about, and variation in practice in relation to, the concepts of component materiality and component performance materiality, and that the concept of aggregation risk that underpins the requirements and application material in ISA 600 is also not well understood. In this regard, notwithstanding our response to GA5 regarding the link between the ISA 600 two-tier mechanism and the determination of component</p>

		materiality, we support the proposal by the IAASB that more topic-specific guidance relating to group materiality, that would not infringe on the basic principles in ISA 320, could be explored further.
National Auditing Standard Setters		
21.	AUASB	Additional guidance is required for matters that are specifically relevant to component materiality, component performance materiality and component trivial thresholds, particularly in relation to the concept of aggregation risk. The AUASB encourages the IAASB to consider how these concepts might be made more clear and operational, this may include providing examples to illustrate the wide variety of circumstances impacting the determination of component materiality by the group engagement team and application by the component auditor.
22.	CAASB	<p>The AASB and our Canadian stakeholders believe the following actions would be:</p> <p>Most meaningful:</p> <ul style="list-style-type: none"> More guidance about how concepts of component materiality and component performance materiality are expected to be applied (para. 261(a)) – The AASB believes there is a lack of understanding by auditors for how to calculate component materiality based on the group circumstances, which has led to significant variation in practice. Some Canadian stakeholders are requesting clarification in how to determine overall group materiality and individual component materiality in accordance with ISA 320. This topic should be a priority area during this project and the IAASB should not delay until a project on ISA 320 can be started. The AASB would also stress that any guidance developed should be comprehensive and link the principles in ISA 320 and how they may be applied to a group environment. <p>Meaningful:</p> <ul style="list-style-type: none"> How materiality is applied in situations when procedures other than audits of financial information are being performed (para. 261(b)) - Although no issues and concerns were raised regarding this area during our consultations, the AASB believes materiality as a whole needs to be addressed for group audits and therefore this would be a by-product of that work. As an example, this guidance could highlight how to use the principles in ISA 320 when considering how to determine materiality for audits of classes of transactions or account balances or when performing analytical procedures. <p>Other consideration:</p> <p>The AASB also noted that the concept of aggregation risk was raised as an issue in paragraph 255 of the ITC, however it was not specifically addressed in any of the possible actions. Canadian regulators have also raised this issue and that auditors do not understand and apply the concept appropriately, which affects the work effort on the group financial statements. This is another area where further exploration of the issues may be required.</p>

23.	CNCC- CSOEC	<p>There is a need to stress that determination of materiality is addressed in ISA 320, whereby the materiality for the financial statements is set as a whole, and hence ISA 600 should not add anything more in respect to determining the financial statement materiality. The issue seems to be the variation in practice of 'allocating' component materiality since it involves a high degree of judgement due to various group structures, divergent component sizes, differing statutory audit requirements, differing risk and deviating country-specific rules. In order to have a consistent and proper allocation of the component materiality, we believe it is important to include in the application material additional guidance as to what this allocation should be and how the group auditor could be guided to determine it.</p> <p>Secondly, further guidance and application material should be given as to which materiality would need to be used when auditing parts of the component and when auditing non-controlling entities. However, we acknowledge that any guidance produced would not be able to address every conceivable scenario; therefore the auditor would still need to refer to the fundamental principles of materiality in ISA 320 and exercise its judgement over the appropriate level of materiality to be applied.</p> <p>Moreover, we have the following comments:</p> <ul style="list-style-type: none"> – The IAASB should clarify whether there is a difference between the "specified audit procedures" described in paragraph 27 (c) of ISA 600 and the "specified procedures" referred to in paragraph 29 of ISA 600. It should also explain the connections with ISRS 4400 – Engagements to perform agreed-upon regarding financial information. Should the IAASB confirm that the 2 terminologies cover the same concepts, we recommend the IAASB to adjust adequately the standard. – We do not agree with paragraph 272 (b) (iv) of the ITC: (iv) Clarifying how the procedures referred to in (iii) above can be distinguished from agreed-upon procedures that might be performed as part of an agreed-upon procedures engagement performed in accordance with ISRS 4400. – Such a statement would result in a standalone standard for the components. We do not support this option. <p>Paragraph 279 (c) of the ITC states "Challenging the role of reviews of component's financial information, including whether they provide appropriate audit evidence. In addition, as discussed above, we could clarify whether there is a difference between the "specified audit procedures" described in paragraph 27 (c) of ISA 600 and the "specified procedures" referred to in paragraph 29 of ISA 600."</p> <p>Does the IAASB consider that an audit should be necessary of each component? This point needs further information.</p>
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	<p>We fully agree with the statement in paragraph 261 that any of the actions the IAASB may take in regard to the application of ISA 320 in a group audit should not infringe on the basic principles of ISA 320.</p> <p>We comment on the possible actions identified in paragraph 261 as follows:</p> <ul style="list-style-type: none"> a) We accept that improved guidance, provided it retains the principles-based approach of the ISAs, may be helpful. b) We agree that the IAASB might explore the application of materiality where work on the financial information of a component is other than an audit of the financial information.
26.	JICPA	<p>We agree with the action of "including more guidance about how the concepts of component materiality and component performance materiality in the context of a group audit are expected to be applied (paragraph 261(a))."</p>

		On this point, we propose that the IAASB clarify the concept and role of component performance materiality. Paragraph 255 explains that regulators and audit oversight bodies have noted instances where component materiality has been established at levels equivalent to, or only marginally below, group materiality. Yet in the case of an audit of the financial information of a component for the purpose of a group audit, the key relationship is between the materiality for the group financial statements as a whole (i.e., group materiality) and the component performance materiality, not the component materiality. The relationship between materiality and performance materiality in ISA 320 corresponds to the relationship between the group materiality and component performance materiality in a group audit engagement. Paragraph A46 of ISA 600 only explains that in practice, the group engagement team may set component materiality at component performance materiality level. We therefore propose that the IAASB include additional guidance in the application materials in ISA 600 to clarify the role of component performance materiality and how it relates to group materiality.
27.	MAASB	We agree with the possible actions recommended to clarify the different aspects of materiality in group audits, as further described in GA6(b) below.
28.	NBA	We agree with the recommended actions of further consideration of matters that are specifically relevant to component materiality, component performance materiality and component clearly trivial thresholds in the context of group audits. Particularly in relation to the concept of aggregation risk, and consideration as to how these concepts might be made more clear and operational, taking into consideration the risks associated with individual components and other circumstances of the engagement structure. We do understand that it is difficult to describe how to allocate materiality. We also acknowledge that guidance on component materiality for a component work effort other than an audit of the complete financial information of the component (e.g. specified procedures, or audit of specified balances per ISA 600.27b, 27c and 29), would be helpful.
29.	NZAuASB	The NZAuASB agrees with the possible actions recommended to clarify the different aspects of materiality in a group audit.
Accounting Firms		
30.	BDO	Within our network we have created additional guidance to help support the determination of materiality at the group and component levels. As a consequence, we would strongly support any additional material that the IAASB could develop in ISA 600 (particularly topic-specific guidance noted in paragraph 261 (a)). This guidance should include examples showing several scenarios (based on geography, financial size, risk issues) and the impact on the potential determination of materiality at the group and component levels. The guidance being considered (in paragraph 261 (b)) that focuses on how best to determine materiality when performing non-audit procedures on financial information of components would also be welcome.
31.	CHI	We note that the proposed actions have to take into account the fact that ISA 320 is not currently subject to review. Noting this, the proposed actions are appropriate. The use of application guidance will help with the understanding of the requirements of ISA 600.

32.	DTT	<p>In DTTL's experience, the determination of component materiality as a concept is one that can be difficult. DTTL recognizes the fact that this is interlinked with the determination of materiality as a whole which is not being considered at this time. However, DTTL does believe that in group situations, the concepts tend to become more complicated, and, as such, any guidance that could be provided to GETs in the interim would be valuable in increasing consistency and the quality of judgments that are being made in this area. Specifically, DTTL believes that principle based guidance on the methodology of determining component materiality and component performance materiality would be beneficial.</p> <p>Recognizing that significant changes to ISA 320, Materiality in Planning and Performing an Audit, will not be contemplated until a review of ISA 320 has been performed in its entirety, a specific issue that arises in practice is the determination of component materiality in the case of a non-controlled component. In circumstances where the investee is of similar size or larger than the group, the requirement in ISA 600 that component materiality should be set at a level that is lower than the group materiality, if applied literally, is often not practical to implement. In conjunction with reassessing the treatment of non-controlled components discussed at GA2, DTTL, therefore, recommends reassessing how the general requirements in ISA 600 can be applied in these situations.</p> <p>Please also refer to the discussion of the impact of component materiality on the component auditor's reporting in the response to GA7 below.</p>
33.	EYG	<p>Yes, we agree with the possible actions recommended in paragraph 261, especially as it relates to the development of guidance about how to appropriately consider aggregation risk in determining and assigning component materiality.</p> <p>We also agree that more guidance is necessary in determining materiality for auditing equity investees; however, we would suggest that such guidance be provided within separate requirements and guidance for auditing non-controlled equity investees that apply to all audits, when relevant (refer to our response to GA2).</p>
34.	GTI	<p>Understanding that materiality is a project currently under consideration by the International Accounting Standards Board which may result in the IAASB making amendments to ISA 320, Materiality in Planning and Performing an Audit, we support the development of further guidance in ISA 600 to assist group auditors in the determination of component materiality. This is one aspect of group audits that practitioners find difficult to apply and there appears to be significant inconsistencies in firms including when component materiality needs to be determined and how component materiality is calculated and applied. Specifically, guidance addressing the levels at which to set component materiality in relation to overall materiality calculated for the group, how allocation of materiality should be considered when the group consists entirely of multiple non-significant components and the practical application of aggregation risk would be most useful.</p>
35.	KPMG	<p>We do not believe that the IAASB needs to await changes to ISA 320 before considering materiality in the context of a group audit. Materiality, as described in ISA 320, is determined with users' needs in mind, and it is a financial reporting framework concept. Component materiality, performance materiality and the clearly trivial threshold at the component level are all determined with aggregation risk in mind and, although there is some interrelationship with materiality, these are primarily auditing concepts. Consequently, we suggest that the IAASB consider providing additional guidance on these areas as a matter of priority.</p>
36.	PwC	<p>We agree that the Board cannot take actions that would prejudice any future review of ISA 320. As we have stated, ISA 600 should support the proper application of the ISAs in a group context and cannot amend what is required under ISA 320.</p> <p>We agree that component materiality needs to be set at a level that is lower than overall group materiality, and that the concept of 'below' means more than simply one unit below e.g., £1. In clarifying the concept of component materiality, we believe there may be merit in</p>

		clarifying the respective responsibilities for determining overall and performance materiality for the component audit, taking into consideration the risks associated with individual components and other circumstances of the organisational structure.
37.	RBI	--
38.	RSM	We agree with the actions listed in paragraphs 254 to 261, in particular more guidance should be provided with regards to the determination of component materiality and to make clear under what circumstances component materiality is to be applied.
39.	SRA	--
Public Sector Organizations		
40.	AGC	We believe that adding application guidance in ISA 600 reflecting different levels of materiality applicable to the component would help clarify issues related to materiality. The guidance should also link to ISA 320. We believe that if ISA 320 is considered for revision additional guidance and examples to reflect the materiality considerations at both the group and component auditor level should be included.
41.	AGSA	Yes, the indicated actions are appropriate.
42.	GAO	We believe that adding application guidance in ISA 600 reflecting different levels of component materiality would help clarify issues related to materiality. The guidance should also link to ISA 320. However, we prefer including in ISA 320 additional guidance and examples to reflect the materiality considerations at both the group and component auditor levels.
43.	INTOSAI	We believe that adding application guidance in ISA 600 reflecting different levels of materiality applicable to the component would help clarify issues related to materiality. The guidance should also link to ISA 320. We believe that if ISA 320 is considered for revision additional guidance and examples to reflect the materiality considerations at both the group and component auditor level should be included.
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	We agree with the analysis in paragraph 260, which concludes that many of the issues stem from the requirements of and guidance in ISA 320. We would encourage the IAASB to develop guidance as mentioned in paragraph 261(a) as there is some diversity and inconsistency in practice. There is an opportunity for the IAASB to drive better understanding and application of the requirements through targeted guidance.
47.	AIC	--

48.	AICPA	<p>Materiality with respect to the component is used to address aggregation risk, evaluate misstatements at the component level, and evaluate misstatements at the group level. It is important to clarify the relationship between materiality calculated in accordance with ISA 320, Materiality in Planning and Performing an Audit, used to evaluate misstatements, and component materiality calculated in accordance with ISA 600, Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors), set to address aggregation risk. Materiality at the component – that is, the materiality used for purposes of the component’s standalone financial statements – is used to evaluate misstatements at the component level and is set by the component auditor in accordance with ISA 320. Component materiality is set by the group auditor in accordance with ISA 600 to deal with aggregation risk. The amounts may or may not be the same, but the purpose of each is distinct. This distinction is not well-understood in practice, and we believe clarification cannot wait for a review of ISA 320. Aggregation risk is not well-understood in practice, as discussed in paragraph 255 of the ITC: Regulators and audit oversight bodies have noted instances where component materiality has been established at levels equivalent to, or only marginally below, group materiality. Additionally, situations have been identified where the clearly trivial threshold at components exceeds that established at the group level. These issues are common in situations when only one audit firm is involved, but components are present. Additional guidance and its related practical impacts on other audit judgments would be helpful.</p> <p>Practice is unclear on whether the component auditor can use component materiality for financial statements materiality if the only user of the financial statements is the group auditor. For example, what is the impact if the component is a wholly-owned subsidiary? In addition, the standard is unclear as to the purpose of component materiality when there is no separate stand-alone audit of the component’s financial statements or only a single firm is involved.</p> <p>The auditing standards of the ASB permit making reference; implementation issues exist with regard to materiality and the group auditor’s responsibility for materiality considerations and uncorrected misstatements at the component level when making reference. While the group auditor considers component materiality when making reference, it is not responsible for determining component materiality, which raises questions as to how the consideration should be applied in practice and its impact on communications between the group and component auditors. As a result, if the IAASB expands ISA 600 to permit making reference, it should consider expanded guidance in this area.</p>
49.	APESB	--
50.	CAANZ	There are challenges in applying the materiality in group audits. We believe that these are best addressed with application guidance as discussed in paragraph 261.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	Although our stakeholders did not see it as a priority to clarify how to determine materiality at the component level and how aggregation risk is addressed for group engagement teams, nevertheless we note that there is inconsistency in the application of materiality at the components in practice. If requirements are to be clarified then the feedback we obtained indicated that the most meaningful actions would be:

		<ul style="list-style-type: none"> Explaining clearly and practically the concepts of component materiality, component performance materiality and component clearly trivial, including how they address aggregation risk. Explaining how to apply materiality when auditing only specific balances, transactions or disclosures or performing specific procedures at a component.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	We are supportive of the IAASB further investigating whether to develop more topic-specific guidance relating to component materiality and other aspects of materiality relevant to group audits in advance of a revision of ISA 320.
58.	★ FACPCE	--
59.	FEE	(184) Yes, we agree that the matter needs to be considered in parallel with ISA 320. The suggestions regarding specific guidance are well-considered; however, it is not clear whether it is anticipated that these are training material or application material for the standards. We consider that the need is more aligned to the former.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	We would also like to take this opportunity to comment briefly on a separate question raised in the Overview and Invitation to Comment with respect to group audits, namely the subject of materiality. We are supportive of the IAASB's efforts to clarify the respective roles and responsibilities of group auditors and component auditors, particularly in the context of group audits involving numerous diverse and widely spread components. When considering future measures in this area, however, the IAASB should, in our view, keep firmly in mind the prospect that group audit clients may well suffer material liability, exposures or events within components that are themselves immaterial. To take a simple example, an environmental catastrophe suffered at a property owned by an immaterial subsidiary could, depending on the facts and circumstances, potentially be material a group level. We urge the IAASB to be mindful of this possibility when setting standards governing the relationship between materiality at group and component levels. Any resulting standards should be drafted so as to minimize the risk that potentially material events, wherever they occur within a group structure, might not be given due attention in the course of an audit.
62.	IBRACON	<p>We observe many challenges in the process of determining materiality in the context of a group audit, especially setting a component materiality. Therefore, we believe that this should be one of the areas of priority where the IAASB should develop additional guidance. We do not believe that there is need to await the revision of ISA 320 to address this matter, since the issue arises in the performance of the audit under the current definition of materiality.</p> <p>In our jurisdiction, additional challenges arise on determining group and component materiality in the context of separate financial statements, where investees (including subsidiaries) are accounted for under the equity method. The determination of materiality in the context differ to the determination of materiality in the context of consolidated financial statement, since the impacts of material</p>

★ Responded to Overview questions of the ITC

		misstatements is on one line of the statement of financial position and statement of profit and loss and other comprehensive income. We believe that ISA 600 should be revise to include guidance to address this scenario.
63.	IRE-IBR	(120) Yes, we agree that the matter needs to be considered in parallel with ISA 320. The suggestions regarding topic specific guidance are well-considered; however it is not clear whether it is anticipated that these are training aids or application material for the standards. We consider that the need is more aligned to the former.
64.	ICAEW	<p>More guidance and examples are needed on the application of the requirement for component materiality to be smaller than group materiality to large investments in associates, among other things.</p> <p>In a few cases, it will be appropriate for component to be set at just less than group materiality if the entity's only asset is an investment in a large associated entity, or where there is a dormant parent company with a trading subsidiary.</p> <p>In many cases, firms may determine that component materiality levels are normally set within a range between 60% and 70% of materiality, subject to circumstances that indicate that lower or higher levels are necessary. IAASB might wish to explore developing application material or examples to deal with this and to deal with situations in which all components are immaterial, and the practical application of aggregation risk.</p> <p>Where pension assets and liabilities are brought into the balance sheet, and where there are investments in large associated entities, component materiality may be much lower than the materiality level used for the statutory audit of the component. This creates practical problems when component auditors are unable or unwilling to work to such levels. Application material should give examples of how such challenges can be successfully overcome.</p>
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	<p>We believe that materiality for the financial statements as a whole is addressed in ISA 320 therefore ISA 600 should not add anything more in relation to determining the financial statement materiality.</p> <p>However, there may be a need for more guidance on the method of 'allocating' component materiality based on its inconsistent application and dependence on a high degree of judgement. Additional guidance in ISA 600 as to how the auditor should arrive at this allocation would be helpful.</p>
67.	ICAZ	Yes
68.	ICPAK	Yes
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--

★ Responded to Overview questions of the ITC

72.	KICPA	We support, in general, developing guidance on how the concept of component materiality and component performance materiality is expected to be applied in specific practice circumstances. Consideration, in particular, as to how materiality is applied in non-audits of the component financial statements holds substantial significance, as we believe.
73.	MICPA	--
74.	SAICA	151. 85.7% of survey respondents indicated that they agree with the possible actions recommended in paragraph 261 to clarify the different aspects of materiality in group audits. 152. It was further suggested that topic-specific guidance on component materiality and materiality in a group audit be included in ISA 600, and that the overall project on materiality is important and should not be delayed.
75.	SMPC	The SMP Committee agrees that any actions taken in respect to ISA 600 should not infringe on the basic principles in ISA 320 and a future possible review of the standard. We agree that more guidance about how the concepts of component materiality and component performance materiality in the context of group audit are expected to be applied would be helpful, as long as the principles-based nature of the ISAs is retained.
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	Further guidance would be beneficial. In my experience, component materiality is often set too low; performance materiality for the component is not well understood. These metrics are important due to the impact they have on designing audit procedures.
84.	JGrant	Component materiality. I agree the underlying problem is dealing with aggregation risk. This is a very difficult theoretical concept – rather like performance materiality in ISA 320. Some argue that component materiality needs to reflect the sampling approach adopted and, when IAASB developed ISA 600, one firm (that used Monetary Unit Sampling) strongly argued that component materiality should be the same as group materiality. I was pleased that the majority of the IAASB rejected this idea but we were unable to agree how much lower than group

		materiality component materiality should be. Some new thinking would it helpful as it seems likely to me that many firms are using much too high a level of component materiality.
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA6. Issues Relating to Component Materiality and Other Aspects of Materiality Relevant to Group Audits

- (b) Recognizing that significant changes to ISA 320 will not be contemplated until a review of ISA 320 has been performed in its entirety (potentially as part of a future project to address materiality more broadly), please describe any other relevant issues or additional actions that you think may be appropriate relating to component materiality, component performance materiality or the clearly trivial threshold at the component level.

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]

★ Responded to Overview questions of the ITC

11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	<p><i>Materiality</i></p> <p>35. We believe that the application of the concept of materiality specifically in a group audit context requires clarification [ITC §260–261]. In particular, the notion of “aggregation risk” in relation to the required work effort, establishing component materiality, as well as identifying significant components, would benefit from more clarity in ISA 600 to ensure that the standard can be consistently applied.</p> <p>36. Furthermore, while we understand the need for compatibility between the accounting standards and auditing standards regarding the concept of materiality, we do not believe that action from the IAASB in this regard should depend solely on the progress of the International Accounting Standards Board’s project on the same issue [ITC §260]. We encourage the IAASB to move forward timeously in addressing materiality in a group audit context, in particular component materiality and “aggregation risk”.</p>
17.	IOSCO	[see pp. 13 – 27 of comment letter]

18.	IRBA	<p><i>Component Materiality</i> [ITC question GA6]</p> <p>101. There is confusion and significant variation in practice relating to the auditor's understanding of component materiality and component performance materiality.</p> <p>102. Although many of the issues related to component materiality are linked to ISA 320, we believe that the application of the concept of materiality, specifically in a group audit context, requires clarification.</p> <p>103. While we understand that the work currently being undertaken by the International Accounting Standards Board (IASB) on materiality may give rise to further implications to the ISAs related to materiality, we do not believe that action from the IAASB in this regard should depend solely on the progress of the IASB's project on the issue.</p> <p>104. Since component materiality is one of the topics identified in the results of the post-implementation review of the clarified ISAs (refer to paragraph 8 above), we encourage the IAASB to move forward on a timely basis to address component materiality in ISA 600.</p> <p><i>New Standard on the Roles and Responsibilities of Component Auditors</i></p> <p>105. The ITC mentions that the IAASB may find it necessary to develop a new standard for auditors who serve as component auditors, and this might contain specific requirements and application material directed at component auditors.</p> <p>106. We believe ISA 600 could be strengthened in this regard and that the IAASB could consider developing a new standard for component auditors at a later stage.</p>
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	See response to GA6(a)
National Auditing Standard Setters		
21.	AUASB	Nothing further noted.
22.	CAASB	See response to GA6(a)
23.	CNCC-CSOEC	See response to GA6(a)
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	See response to GA6(a)
26.	JICPA	We agree with the action of "including more guidance about how the concepts of component materiality and component performance materiality in the context of a group audit are expected to be applied (paragraph 261(a))."

		On this point, we propose that the IAASB clarify the concept and role of component performance materiality. Paragraph 255 explains that regulators and audit oversight bodies have noted instances where component materiality has been established at levels equivalent to, or only marginally below, group materiality. Yet in the case of an audit of the financial information of a component for the purpose of a group audit, the key relationship is between the materiality for the group financial statements as a whole (i.e., group materiality) and the component performance materiality, not the component materiality. The relationship between materiality and performance materiality in ISA 320 corresponds to the relationship between the group materiality and component performance materiality in a group audit engagement. Paragraph A46 of ISA 600 only explains that in practice, the group engagement team may set component materiality at component performance materiality level. We therefore propose that the IAASB include additional guidance in the application materials in ISA 600 to clarify the role of component performance materiality and how it relates to group materiality.
27.	MAASB	We believe it would be helpful to provide additional guidance on the distinction between the group audit's clearly trivial reporting threshold and the threshold to be used by component auditors in conducting their audits. As a further extension of the question of how to deal with certain equity accounted or joint venture entities, we believe it would be useful to provide guidance on how the concept of component materiality may be applied.
28.	NBA	<p>We do have the following specific issues:</p> <p>Several financial reporting frameworks require the preparation of stand-alone financial statements of the parent entity, sometimes in the same booklet as the consolidated financial statements, sometimes separately. The parent entity may have very little own activity which all gets eliminated in consolidation, or on the other hand, the parent entity may have significant own activities, or a variety of scenarios in between. We believe it would be helpful to provide additional guidance for the allocation of materiality to the stand-alone financial statements of the parent entity.</p> <p>SSCs are typically not identified as a component and, therefore, excluded from the materiality allocation. Accordingly, if audit procedures are to be performed on a SSC, then relevant materiality amounts would be determined based on our understanding of the risks inherent to the component and using the engagement team's professional judgment. We believe it would be helpful to provide additional guidance on determining relevant materiality amounts in a number of common scenarios involving SSCs.</p> <p>Professional judgment is required to determine an appropriate materiality level when performing analytical procedures at group level for non-significant components. We believe it would be useful to provide additional guidance about this topic.</p> <p>We believe it would be helpful to provide additional guidance on the distinction between the group audit clearly trivial reporting threshold and the threshold to be used by component auditors. For example, a group engagement team communicates a reporting threshold to component auditors. Questions arise in practice as to whether they use this level for the purposes of their component audit, or simply as a level for communicating misstatements to the group engagement team. In the latter scenario, they need to apply a lower threshold to accumulate misstatements as part of the component audit.</p> <p>As a further extension of the question of how to deal with certain equity accounted or joint venture entities, we believe it would be useful to provide guidance on how the concept of component materiality may be applied. For example, when an entity accounts for a 20% share of an associate, we believe it is acceptable for the component materiality allocated to that component to be uplifted by the component auditor to a value that reflects they are auditing 100% of the associate's financial information. In other words if a group engagement team allocates materiality of \$100,000 to that component, the component auditor may apply a materiality of \$500,000 in auditing 100% of the associate.</p> <p>Also, we believe that it would be helpful to provide additional guidance when the component is a non-consolidated investment held at cost, e.g. in a legal structure of a group with a statutory audit taking place at the level of an intermediate holding. Depending on the circumstances,</p>

		including the headroom between the book value and the estimated fair value of the investment, judgment will be required to determine an appropriate level of materiality for such component. Please note that ISA 600 should support the proper application of the ISAs in a group context and cannot amend what is required under ISA 320. However, specific aspects for group audits could be described in ISA 320.
29.	NZAuASB	The NZAuASB agrees that component materiality is intrinsically linked to ISA 320 and that it therefore cannot be narrowly addressed in the context of a project that is addressing ISA 600 more broadly. The NZAuASB supports the IAASB's intention to continue to monitor the current work being undertaken by the IASB on materiality and to determine the need to address materiality more broadly in a future project. The NZAuASB believes that in the interim more guidance about how the concepts of component materiality and the component materiality in the context of a group audit are expected to be applied would be useful. Minority interests are also an area that is challenging and more guidance would be helpful. For example, how to deal with the situation where all the components are individually immaterial to the group.
Accounting Firms		
30.	BDO	None noted.
31.	CHI	The proposed actions are sufficient at this time to help with the understanding of the requirements of ISA 600.
32.	DTT	See response to GA6(a)
33.	EYG	We do not have any specific requests beyond those contemplated in paragraph 261 of the ITC or included in our comments in (a) above.
34.	GTI	See response to GA6(a)
35.	KPMG	See response to GA6(a)
36.	PwC	We do not see issues in practice on the distinction between the group audit clearly trivial reporting threshold and the threshold to be used by component auditors in conducting their audit, although we acknowledge that this has been raised as an issue by others. We believe the situation arises most commonly when a component auditor is performing an audit of the component for both group reporting and statutory audit purposes. In those situations the component auditor applies ISA 320 to determine a threshold that is appropriate for the statutory audit, distinct from any threshold determined by a group engagement team for the purposes of communicating the results of the component audit.
37.	RBI	--
38.	RSM	None.

39.	SRA	--
Public Sector Organizations		
40.	AGC	--
41.	AGSA	No other issues are identified. Also take into consideration that a link must also be drawn to final materiality as per ISA 450.
42.	GAO	See response to GA6(a)
43.	INTOSAI	See response to GA6(a)
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	See response to GA6(a)
47.	AIC	--
48.	AICPA	See response to GA6(a)
49.	APESB	--
50.	CAANZ	No further comments.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	No further issues or actions identified.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.

57.	EFAA	See response to GA6(a)
58.	★ FACPCE	--
59.	FEE	<p>(185) There is a need to stress that determination of materiality is addressed in ISA 320, whereby the materiality for the financial statements is set as a whole, and hence ISA 600 should not add anything more in respect to determining the financial statement materiality. The issue in practice seems to be the variation of 'allocating' component materiality since it involves a high degree of judgement due to various group structures, divergent component sizes, differing statutory audit requirements, differing risk, and deviating country-specific rules. In order to have a consistent and proper allocation of the component materiality, it would be helpful to include additional guidance in ISA 600 on what this allocation should be and how the group auditor could be guided to determine it.</p> <p>(186) Drawing from the above observation, there are perhaps two additional areas which, in our opinion, appear to cause particular difficulties. First, we believe that additional guidance or application material to address how to calculate component materiality would be helpful and might eliminate the extent of variation in judgement in practice. Second, further guidance and application material should be given as to which component materiality would need to be used when auditing parts of the component and non-controlling entities. However, we acknowledge that any additional guidance in ISA 600 would not be able to address every conceivable scenario; therefore, the auditor would still need to refer to the fundamental principles of materiality in ISA 320 and exercise their judgement over the appropriate level of materiality to be applied.</p>
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	See response to GA6(a)
63.	IRE-IBR	<p>(121) We want to stress out that determination of materiality is addressed in ISA 320, and hence ISA 600 should not add anything more in respect to determining the financial statement materiality. The issue seems to be the variation in practice of 'allocating' component materiality since it involves high degree of judgement, divergent component sizes, differing statutory audit requirements, differing risk and deviating country-specific rules. Therefore, it is necessary to provide guidance on the concept of component materiality and the allocation of component materiality between the various components.</p> <p>(122) Drawing from the above observation, there are perhaps two areas which in our opinion appear to cause particular difficulties. Firstly, we believe that additional guidance or application material to address how to calculate materiality at the component level would be helpful and might eliminate the extent of variation in judgement in practice. Secondly, further guidance and application material should be given as to which materiality would need to be used when auditing parts of the component and when auditing non-controlling entities.</p>
64.	ICAEW	No answer given

★ Responded to Overview questions of the ITC

65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	See response to GA6(a)
67.	ICAZ	None
68.	ICPAK	None
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	<p>We are for thorough reviews as to whether to revise ISA 600 to include that component performance materiality and the clearly trivial threshold at the component level should be less than the performance materiality and the clearly trivial threshold at the group level, taking into account various practice circumstances.</p> <p>As outlined in the consultation, there are difficulties with applying the concept of aggregation risk in practice. It would be very much useful to provide specified guidance regarding (a) a circumstance where simply adding component materiality in all exceeds group materiality in case of multiple components existed and (b) how to determine and evaluate the amount of component materiality distributed to the respective components.</p>
73.	MICPA	--
74.	SAICA	<p>153. The following additional matters were raised by survey respondents:</p> <ul style="list-style-type: none"> ➤ Further clarity regarding what the maximum aggregate component materiality should be limited to. ➤ How to determine materiality on a divisional level in a company and how this relates to the overall company materiality. ➤ How to deal with implications of Key Audit Matters. <p>154. The latter point in the previous paragraph relates to the discussion in paragraph 305 of the ITC and indicates support for the IAASB to consider including in ISA 600 additional application material to assist group engagement teams and component auditors in having effective communications so as to ultimately support the identification, where applicable, by the group engagement team of those matters that might be considered and ultimately determined to be key audit matters in the context of the group audit.</p>
75.	SMPC	See response to GA6(a)
76.	WPK	[See p. 5 of comment letter]

★ Responded to Overview questions of the ITC

Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	As above
84.	JGrant	See response to GA6(a)
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA7. Responding to Identified Risks of Material Misstatement in a Group Audit (Including Issues Relating to the Group Engagement Team's Involvement in the Consolidation Process)

- (a) Paragraphs 262–292 set out matters relating to responding to identified risk of material misstatement in a group audit (including the group engagement team's involvement in the consolidation process).
- (i) Which of the actions outlined in paragraphs 272–273, 279, 288 and 292 would be most meaningful to address issues relating to responding to identified risks of material misstatement in a group audit?
 - (ii) Why do you believe these actions are necessary?
 - (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
 - (iv) Please also describe any potential consequences of possible actions that you believe we need to consider further.

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--

★ Responded to Overview questions of the ITC

Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	Further, we are concerned that the group engagement team may not have a sufficient understanding of the impact that local customs and business practices may have on the effectiveness of the planned audit approach. In addition, we have some concerns that language limitations may discourage the review of a component auditor's work or result in the review being performed by a less experienced member of the group engagement team because they have the necessary linguistic skill.
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	<p><i>Risk assessment and responses to risks</i></p> <p>37. We agree that risks identified at component level should be taken into account at group level [ITC §253(b)]. However, this should be an explicit requirement as opposed to application material in the standard. Moreover, we would like to draw the IAASB's attention to the additional need for the group engagement team to further ensure that appropriate procedures to cover the risks identified at component level are effectively implemented by the group engagement team or the component auditor.</p>
17.	IOSCO	<p><i>Responding to Identified Risks of Material Misstatement in Group Audits (including issues relating to the Group Engagement Team's Involvement in the Consolidation Process)</i></p> <p><i>Issues Relating to Audit Procedures Performed on the Component's Financial Information</i></p> <p>An overarching concern related to the application of ISA 600 is the identification of components, including those that are significant. Though paragraph 50(a) of ISA 600 requires the group engagement team to document an analysis of components, indicating those that are significant, there are no specific requirements related to the determination of components and significant components. The determination is dependent on applying the definition in the standard and consideration of the related application material. Proper identification of significant components is of paramount importance, as it impacts the nature, timing and extent of the audit work, including the level of involvement by the group engagement team in the work of the component auditor. We are concerned that the existing level of guidance may result in inconsistent determination of significant components for the same entity by different auditors. The Board should consider the need for additional guidance or criteria that will result in a more consistent application of the requirements.</p> <p><i>Issues relating to Non-Significant Components</i></p>

	<p>Determination and selection of components that are not significant subject to additional procedures under paragraph 29 of ISA 600:</p> <p>Paragraph 275 of the Paper notes that ISA 600 does not specifically require that, in making the determination as to what work is necessary for the group as a whole, the group engagement team should consider whether risks of material misstatement remain that are not addressed by work performed on significant components, selected non-significant components, and through work at the group level. We are of the view that there is variation in practice amongst group engagement teams and the circumstances under which they consider that additional procedures must be performed on the financial information of components that are not significant components. We agree with the possible actions the Board has outlined in paragraphs 279(a) and (b) of the Paper.</p> <p>Consideration of consolidated financial statement balances when those balances are primarily composed of amounts from not significant components:</p> <p>While paragraph 29 of ISA 600 requires additional procedures at the group level if the group engagement team does not consider that sufficient appropriate audit evidence on which to base the group audit opinion has been obtained, we are concerned that there is a risk of insufficient audit evidence to support material financial statement line items in the consolidated financial statements when that balance is composed of amounts from multiple components, many of which are not identified as significant components. We believe that ISA 600 should include a requirement (or address specifically through application material) that the group engagement team should evaluate whether sufficient and appropriate audit evidence has been obtained for each financial statement line item in the group financial statements. We are also concerned that some auditors may erroneously conclude that sufficient, appropriate audit evidence for material line items has been obtained via review level procedures. In the scenario where material balances in the consolidated financial statements are comprised primarily of amounts from multiple components that are not significant, we believe that review level procedures would be inappropriate (i.e., audit procedures should be performed rather than review procedures).</p> <p>Considerations when individual components are not material but may be material in the aggregate:</p> <p>We believe that ISA 600 should provide further guidance as to how to determine the nature, timing and extent of the work performed on individual components that are not material, but may be material in the aggregate. Paragraph A51 of ISA 600 describes factors that the group engagement team should consider as to how many components to select, which components to select, and the type of work to be performed at the component. We believe the Board should consider elevating this application material to requirements as this may help alleviate concerns that some have seen group engagement teams inappropriately use sampling techniques to select non-significant components from a population of non-significant components and then infer the results of the testing performed on one component onto components where audit procedures were not performed.</p> <p>The guidance in extant A51 of ISA 600 could be improved by adding a factor to consider “the period of time since the auditor most recently performed audit procedures at that component”. Further, the guidance should make an explicit statement that an auditor should not consider the results of prior year audit procedures in the context of providing audit evidence for the current year audit. Extant paragraph A51 notes that “the selection of components is often varied on a cyclical basis”, which may be misinterpreted to mean that non-significant components should be selected using a “rotation plan” approach, rather than an approach that considers multiple factors as outlined in extant A51 that help the auditor determine which non-significant components are more likely to contain a material misstatement. Reflecting the period of time since the most recent performance of audit procedures as one element to consider may help to promote unpredictability in the timing and extent of the components that are selected.</p> <p>Additionally related to extant paragraph A51 of ISA 600, consistent with our comment below regarding the role of review procedures, we believe additional clarity should be provided regarding the usage of the phrase “the type of work to be performed on the financial information of the individual components”.</p>
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		<p><i>Role of Review Procedures related to Non-Significant Components</i></p> <p>With regards to paragraph 279(c) of the Paper, we do not believe that reviews of the component's financial information and related review procedures should form part of the 'sufficient, appropriate audit evidence' that supports the audit opinion. We also agree that the Board should clarify the distinction between 'specified audit procedures' described in paragraph 27(c) of ISA 600 and the 'specified procedures' referred to in paragraph 29 of ISA 600.</p>
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	<p>Please see our response to GA5 above where we:</p> <p>Strongly support the IAASB's proposal to make more explicit reference to the principles, requirements and related application material in ISA 315 and ISA 330, so as to better support the application of those ISAs in the context of a group audit engagement, supplemented with additional examples for relevant aspects and principles of those ISAs; and</p> <p>Strongly encourage the IAASB to re-examine the validity of the ISA 600 two-tier mechanism as we question whether it appropriately reflects the risk-based approach (or 'top-down' approach) set out in ISA 315 and ISA 330. In that regard, we believe the IAASB would need to also revisit the work effort specified in 600.26-28 i.e. "specified audit procedures", "specified procedures", "audit of a component", and "analytical procedures", as the work effort would no longer be linked to a "component", but to the risk, as required under a risk-based approach.</p> <p><i>Non-significant components</i></p> <p>Scoping the group audit by applying the risk-based approach i.e. identifying and assessing the risks of material misstatement for the group as a whole, rather than focusing the determination of the necessary work effort on the determination of whether components are considered significant or non-significant, would respond to a number of issues that have been raised in relation to 'inappropriate work effort' for non-significant components. This is because the work effort would be related to the risk at the level of the group as a whole, even if it happens to require further audit procedures to be carried out in a 'non-significant component'.</p> <p><i>Consolidation</i></p> <p>We support the IAASB's proposals to explore the group engagement team's responsibilities in relation to sub-consolidations. In the FRC's AQRT inspection work, we have found that issues arising in respect of work on the consolidation process tend to be a result of insufficient involvement by the group engagement team. In particular, the AQRT have found cases where there is a very significant sub-consolidation in another jurisdiction but the audit work is often being performed by the local component auditor, with the group audit team performing work on a very limited final consolidation in their own jurisdiction. We also believe there may be merit in revisiting the emphasis in the requirements in ISA 600.33 and 600.34 on the performance of those requirements by the group engagement team, particularly in the context of sub-consolidations.</p>
National Auditing Standard Setters		
21.	AUASB	<p>(i) Where there are a large number of non-significant components, application material could be strengthened to address the group engagement team's considerations about the work to be performed on the non-significant components as well as providing guidance on how the group engagement team should determine which non-significant components require procedures as well as how to</p>

		<p>determine when a sufficient number of components have been selected for testing. The matters that could be included relate to application of scoping, application of materiality and application of the nature, timing and extent of audit work. In addition, clarifying the expected work effort related to analytical procedures at the group level for non-significant components is seen as being beneficial. Furthermore, it may be seen as beneficial for the IAASB to explore including within application material what may influence or constitute sufficient “coverage”.</p> <p>(ii) Nothing further noted.</p> <p>(iii) Nothing further noted.</p> <p>(iv) The AUASB shares the view that ISA 600 requires change to keep up with diverse business structures, jurisdictional challenges and practical implementation issues. Such change could be effected through additional requirements (particularly in the areas named in GA1(a)), enhanced or additional application material and could include further illustrative examples.</p>
22.	CAASB	<p>The AASB and our Canadian stakeholders believe the following actions would be:</p> <p>Most meaningful:</p> <ul style="list-style-type: none"> • Clarifying the expected work effort related to analytical procedures at the group level for components that are not identified as significant (para. 272(b)(v)) • Strengthening the requirements for the group engagement team to consider what work needs to be performed on non-significant components (para. 279(a)) • Providing further guidance on how the group engagement team should determine which non-significant components would require procedures (para. 279(b)) <p>In accordance with a top-down risk based approach, when the auditor is assessing whether sufficient appropriate audit evidence has been obtained to support the audit opinion, the auditor may determine that further work is required. For determining the work effort related to non-significant components, the AASB supports revisiting and clarifying the requirements in ISA 600. The work effort related to non-significant components is one area where significant auditor judgment is required. Providing examples may assist auditors in applying the requirements with greater consistency. Paragraph A51 of ISA 600 outlines some factors to consider when selecting the non-significant components for additional procedures and the type of procedures, however it does not discuss how to determine when a sufficient number of non-significant components have been selected to meet the requirement in paragraph 29 of ISA 600.</p> <p>Canadian regulators have also noted in their inspection findings a lack of sufficient and appropriate audit procedures relative to the risk or size of the component. Clarifying the requirements for the type of work required for significant and non-significant components will assist auditors in understanding the types of procedures they can perform and under which circumstances. The AASB feels the above actions must be addressed together by assessing types of procedures, the level of work to be conducted and how to determine when sufficient audit evidence has been obtained.</p> <p>Meaningful:</p> <ul style="list-style-type: none"> • Revisit requirements for the type of work required for significant and non-significant components (para. 272(a)) • Clarifying how procedures referred to in para. 272(b)(iii) can be distinguished from agreed-upon procedures (para. 272(b)(iv))

		<ul style="list-style-type: none"> More clearly distinguishing between types of procedures that can be performed, under which circumstances. (para. 272(b)(iii)) In addressing what work needs to be done for non-significant components (as in para. 279(a) and (b)), auditors will also need to assess work done on significant components. Using the top-down risk based approach, requirements for significant and non-significant components must be assessed together to ensure sufficient appropriate audit evidence is obtained to support the group audit opinion. The AASB also supports clarifying the difference in work effort between specified audit procedures, specified procedures and agreed upon procedures (ISRS 4400)12. Component auditors require clarity as to the level of judgment permitted in ISA 600 when performing procedures for group auditors (for example, procedures performed under ISRS 4400 currently do not permit the use of judgment). Also, some auditors believe there is lack of common understanding when directing component auditors to perform certain procedures. Further clarification of these terms and work effort will assist group auditors to provide clear instructions and receive appropriate responses from component auditors. <p>Not supported:</p> <ul style="list-style-type: none"> Challenging the role of reviews of component financial information and whether they provide appropriate audit evidence (para. 279(c)) – The AASB believes reviews can serve a purpose in providing audit evidence and that the role of reviews in a group audit should be maintained. New application material to address group engagement team’s responsibilities for the consolidation process (para. 288, 3rd bullet) – No issues related to the consolidation process were raised by our Canadian stakeholders. Therefore the AASB does not believe this action is required.
23.	CNCC-CSOEC	<p>We believe that the issue mention in the first bullet of paragraph 284 that deals with issues relating to sub-consolidation, i.e. “Insufficient information for the group engagement team to understand the consolidation entries processed in the sub-consolidation, some of which may be material to the group.” is a real issue. The materiality at the sub-consolidation level is not clear enough. We consider that this matter should be mentioned in paragraph 288 of the ITC that lists the possible actions to address the issues.</p> <p>Moreover, we have a concern with the second bullet of paragraph 288 of the ITC, i.e.</p> <p>“Revisiting the requirements in ISA 600 to determine whether the group engagement team's responsibilities in relation to sub-consolidations need to be clarified or enhanced. This could include recognition that component auditors would likely not have the "full picture" of the group that the group engagement team has, and therefore may not be in a position to properly evaluate the completeness and accuracy of all consolidation adjustments at the sub-consolidation level for the group audit. In making revisions, it could be emphasized that determining the appropriateness of the group engagement team's involvement would be dependent on the circumstances and structure of the group, and involve appropriate application of professional skepticism.”</p> <p>We consider that the 2nd bullet seems somewhat disproportionate given the reality. We believe that this issue is not specific to the sub-consolidation. It comes from the fact that the group does not have the full picture of what happens in the subgroup.</p>
24.	HKICPA	[see p. 5 of comment letter]

¹² ISRS 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

25.	IDW	<p>We comment on the possible actions identified in paragraph 272 as follows:</p> <ul style="list-style-type: none"> a) We support enhancements that could improve the effectiveness of group audits, and agree that greater flexibility in terms of the types of work required for significant and non-significant components is appropriate. Certainly, a “full audit” of the financial statements of a component may not always be necessary in addressing identified risks at group level. For example, where a significant component is denoted as such because of a particular significant risk, it may be more appropriate for the work effort to be tailored to addressing that one risk. The extant requirements of ISA 600.27 already allow flexibility in such situations. b) We agree that further clarification of the work effort regarding both significant and non-significant components may be helpful. <ul style="list-style-type: none"> i. Although we agree that further clarification of the extent of work effort for a significant component may be helpful, we strongly disagree with the proposal to use the term “audit of financial information” together with the explanation that not all requirements of all relevant ISAs would necessarily be followed. If a component auditor is required to express an opinion, then all relevant requirements of all relevant ISAs would apply. If the IAASB decides to provide guidance on a more flexible approach, it should instead refer to the component auditor “performing audit work” on behalf of the group auditor when performing work of an audit nature to satisfy the instructions or the objective set by the group auditor. This should be distinguished from “performing audit procedures” on behalf of the group auditor, in which the group auditor specifies at least the nature and timing (and perhaps the extent) of audit procedures, but requires the component auditor to exercise judgment in their planning, performance and in reaching conclusions. In contrast, “performing specified procedures” should be limited to those cases in which the group auditor specifies the procedures such that the component auditor does not need to apply judgment in their application or in reaching factual findings (like in an agreed-upon-procedures engagement). ii. We agree that clarifying terminology where not clear in a group situation and emphasizing the need for clear instructions from the group auditor to the component auditor i.e., to achieve a mutual understanding of work to be performed may be helpful. iii. The IAASB needs to be clear in using different terminology. As noted above, care needs to be taken to distinguish between “specified procedures/ agreed upon procedures” and “agreed upon <u>audit</u> procedures/ specified <u>audit</u> procedures”. The former are dealt with in ISRS 4400 whereby the component auditor does not exercise professional judgement, but reports only factual findings. In contrast, for agreed upon/ specified audit procedures, although the nature of the procedure would be pre-determined, the component auditor exercises judgment in how the procedure is performed (i.e., sample size, timing etc.) and uses professional judgment to draw a conclusion on the audit procedures performed (not an audit opinion). iv. We refer to our response in iii above. v. We agree that additional application material to provide clarification of the work effort for analytical procedures at group level in relation to non-significant components may be helpful. vi. We agree that clarification may be helpful as to the component auditor’s work when, for example, a stand-alone audit of component financial statements has been performed. <p>We comment on the possible actions identified in paragraph 279 as follows:</p>
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		<ul style="list-style-type: none"> We agree that it makes sense for the IAASB to address the need for and amount of work required in relation to non-significant components. We also agree that reviews of financial statements may not always be appropriate course of action, and that this be explored further. We refer to our comments above in relation to the terms “specified procedures” and “specified audit procedures”. <p>We comment on the possible actions identified in paragraph 288 as follows:</p> <ul style="list-style-type: none"> We agree with the proposals, with the exception of proposed elevation of text from appendix 2 in ISA 600. <p>We comment on the possible actions identified in paragraph 292 as follows:</p> <ul style="list-style-type: none"> The proposed clarifications make sense.
26.	JICPA	<p>Following are our comments on the actions outlined in paragraphs 272 to 273, 279, 288 and 292:</p> <p>◆ <i>Paragraphs 272 to 273 (Issues relating to audit procedures performed on the component’s financial information)</i></p> <p>We believe the following actions outlined in paragraph 272(b) regarding clarification of procedures would be meaningful:</p> <ul style="list-style-type: none"> (iii) <i>More clearly distinguishing between the types of procedures that could be performed and in which circumstances they might be appropriate (e.g., through providing examples of “specified audit procedures” or “specified procedures” in specific circumstances, and distinguishing them from “an audit of one or more account balance, class of transactions or disclosures relating to the likely significant risks of material misstatement”)</i> (iv) <i>Clarifying how the procedures referred to in (iii) above can be distinguished from agreed-upon procedures that might be performed as part of an agreed-upon procedures engagement performed in accordance with ISRS 4400.</i> (v) <i>Clarifying the expected work effort related to analytical procedures at the group level for components that are not identified as significant.</i> We believe this action would be particularly meaningful, since it relates to the scope of work on components that are not significant components. <p>However, we do not support the following action:</p> <ul style="list-style-type: none"> - <i>Revisiting the requirements for the types of work required for significant and non-significant components, and challenging whether the outcome of applying them results in the work effort on financial information of components being commensurate with the risks of material misstatements in the components and supports the ability of the group engagement team to reach a conclusion that sufficient appropriate audit evidence has been obtained (paragraph 272(a))</i> <p>The extant ISA 600 defines significant components from two aspects (i.e., the individual financial significance to the group or it is likely that includes significant risks of material misstatement of the group financial statements) and requires that specific works be performed on financial information with these two types of significant component. And if the group engagement team does not consider that sufficient appropriate audit evidence on which to base the group audit opinion will be obtained, the group engagement team is required to select components that are not significant components and shall perform or request a component auditor to perform the work. We understand that the intention here is to apply the risk-based approach in ISA 315 and ISA 330 to the group audit situation, in light of the practicability and the group structures. We believe this approach is still valid and should not be changed.</p> <ul style="list-style-type: none"> - <i>Providing application material to clarify that the manner in which the requirement to perform an “audit of financial information of the component using component materiality” is applied may vary depending on the specific circumstances (paragraph</i>

		<p><i>272(b)(i)</i></p> <p>An “audit of financial information of the component using component materiality” for the group audit purpose is also an audit that provides the group engagement a reasonable assurance. We therefore do not support the change to the presumption that the component auditor is required to comply with all requirements in the ISAs that are relevant to the audit of component financial information. Such a change may cause a false understanding that an “audit of financial information of the component using component materiality” may mean different things under different circumstances. It would be meaningful, however, if the IAASB could provide clear guidance within the current framework of the audit on the cases in which the group engagement team can instruct the component auditor that there is no need to test a certain account balance or perform a certain audit procedure.</p> <p>◆ <i>Paragraph 279 (Issues relating to non-significant components)</i></p> <p>We recognized that the issues are observed in the situation outlined in paragraph 275 (i.e., when there are a large number of components, none of which are significant individually). These issues, however, should be deemed to relate to the scope of the group audit. As one of the issues relating to the identification and assessment of the risks of material misstatement and the response to the identified risks in a group audit, the selection of significant components (particularly the selection of the significant component, as it is likely to include significant risks of material misstatement of the group financial statements) should be the focus for consideration on these issues. This is consistent with the risk-based approach in ISA 315 and ISA 330. We therefore do not support the actions outlined in paragraph 279, particularly those outlined in paragraph 279(a).</p> <p>◆ <i>Paragraph 288 (Issue relating to the group engagement team’s involvement in the consolidation process)</i></p> <p>We think it would be meaningful if the application materials in ISA 600 stated that the group engagement team needs to be involved in sub-consolidation in some circumstances.</p> <p>Even if there is a sub-consolidation process, the responsibilities of the group engagement partner remain the same. The group engagement partner is responsible for the direction, supervision, and performance of the group engagement as a whole, including sub-consolidation. We therefore see no need to establish an additional requirement that addresses the group engagement team’s responsibility for the involvement in sub-consolidation. However, the current ISA 600 is silent on the issue of sub-consolidation and offers no guidance regarding the group engagement team’s need to be involved in sub-consolidation under some circumstances. We therefore think it would be meaningful to develop guidance in application materials in ISA 600 to illustrate special consideration for the engagement team when there is a sub-consolidation process in the significant component.</p> <p>◆ <i>Paragraph 292 (Issues relating to subsequent event procedures)</i></p> <p>We believe that the current ISA 600 contains sufficient requirements relating to subsequent event procedures and see no need to strengthen or clarify the requirements or application materials.</p>
27.	MAASB	<p>(i&ii) The meaningful actions to address are:</p> <ul style="list-style-type: none"> • Bringing clarity to the question of what it means to apply all relevant ISAs in work conducted on a component’s financial information. In particular, questions arise most commonly when the group team determines that an audit of one or more account balances, classes of transactions or disclosures is necessary at the component. In such cases, the component auditor is not conducting an audit of the full component entity. Therefore, are there ISAs and or requirements of certain ISAs that are no longer relevant?

		<ul style="list-style-type: none"> Addressing in the ISA how audit evidence that has been conducted centrally is communicated and shared across teams. For example, in our view, when ITGC testing is conducted centrally by a group engagement team and a component auditor is placing reliance on system generated reports and controls, this is so pervasive to the component auditor work, that they need to have an understanding of the work performed and evaluated the results of the work to have a sufficient basis to form their opinion on the component's financial information. Highlighting considerations for component auditors who are also undertaking statutory audits and how the distinction in work effort might be different. Clarifying the nature of specified audit procedures and their characteristics that distinguish them from agreed-upon procedures. We agree that confusion exists over the term "specified audit procedures" and how it compares to "agreed-upon procedures". We do not believe that there was intended to be a difference between ISA 600.27(c) and 29, and if that is proven to be the case, we suggest simply aligning both to refer to "specified audit procedures". <p>(iii) None noted.</p> <p>(iv) No further matters noted.</p>
28.	NBA	--
29.	NZAuASB	<p>(i) The NZAuASB considers it would be helpful to :</p> <ul style="list-style-type: none"> clarify that the manner in which the requirement to perform an "audit of financial information of the component using component materiality" is applied may vary depending on the specific circumstances, and that it may not necessarily mean that the component auditor is expected to apply all requirements in all relevant ISAs in all circumstances where the audit is performed solely for the purposes of the group audit; emphasise the need for clear instructions to the component auditor from the group engagement team, and for a mutual understanding between the component auditor and group engagement team about what is expected of the component auditor; strengthen the application material to address the group engagement team's considerations about the work to be performed on the non-significant components, both at the group level and the component level. <p>(ii) The NZAuASB considers that this will assist with planning and performing the group audit in the most effective manner, both at the group level and the component level.</p> <p>(iii) The NZAuASB has not identified any other relevant issues to consider. A consistent view expressed by constituents is that there is a scope for application guidance, but not new requirements.</p> <p>(iv) The cost of compliance with increased requirements versus a possible increase in audit quality needs to be carefully considered.</p>
Accounting Firms		
30.	BDO	<p>(i) We generally support the actions identified in these paragraphs; in particular, guidance would be helpful in the following areas:</p> <ul style="list-style-type: none"> The provision of further clarification on the nature (and extent) of analytical procedures (paragraph 272(b) (v)) as well as the differences between 'specific procedures' and 'specific audit procedures'.

		<ul style="list-style-type: none"> Revisiting requirements for types of work required for significant components (i.e. the notion that the focus of the work should be on the risks of material misstatement (RMMs) that affect the group engagement) outlined in 272 (a). It is important that component auditors have sufficient focus and dedicate an appropriate amount of time to ensure that the work directed by the group engagement team on the group RMMs is performed adequately. Challenging the requirement to use component materiality (paragraph 272 (a)) in all cases, or the alternative suggestion to have a more targeted approach to the audit work performed at the component level (paragraph 272 (b) (i)). Both scenarios could provide for more effective and efficient auditing of the component and ultimately of the work performed on and input into the group audit. As outlined in paragraph 279, the group engagement team should determine which non-significant components are to be selected for the performance of different types of procedures or the approach when a non-significant component has a balance which is material to the group financial statements. We would also be supportive of guidance on how a 'review engagement' performed on a component can be considered. Paragraph 292, which repeats an earlier recommendation about the issuance of group reporting instructions. <p>(ii) See our response to GA7 (a) (i).</p> <p>(iii) One suggestion might be for the IAASB to consider providing further clarity in respect of the definition of a component and where this is positioned within the ISA. The determination of components has been an area that has required firms to provide more internal guidance, suggesting a lack of clarity.</p> <p>(iv) None noted, except as indicated above.</p>
31.	CHI	<p>(i) This section includes a wide range of proposed actions. As commented in paragraph 271, ISA 600 does not deal explicitly with some of the practical challenges that have been identified. Therefore, the actions in paragraph 272 have to be seen in total as an effort to resolve deficiencies in the content of the standard and guidance.</p> <p>Regarding the other proposed actions, those relating to the audit of the consolidation in paragraph 288 are important, and would represent a needed enhancement to the existing ISA 600.</p> <p>(ii) With respect to the actions proposed in paragraph 272, these would address an area where ISA 600 is seen as deficient. The audit of the consolidation is potentially complex and risky. Enhancements to ISA 600 would assist auditors in practice.</p> <p>(iii) We have nothing to add.</p> <p>(iv) We have nothing to add.</p>
32.	DTT	<p>In general DTTL agrees with the suggested actions described, with the following specific comments:</p> <ul style="list-style-type: none"> It is not uncommon for the GET to decide that it is more efficient or effective to test one or more balances in the aggregate (i.e., as a consolidated balance), rather than by component. This is becoming more prevalent in situations where groups employ common IT systems that allow the GET visibility and accessibility to the entire group information at the center. The clarifications relating to the implications in situations where audit work is performed on balances in the aggregate or processes centrally (as described in paragraph 273) are necessary to address these situations.

	<ul style="list-style-type: none"> • There is diversity in practice in terms of the understanding of the reference in ISA 600 to the concept of an “audit” as it pertains to a financially significant component. This confusion manifests itself at the level of the GET and also when component auditors are performing their work. DTTL, therefore, believes the reassessment of this term as described in paragraphs 272 (b) (i), (ii) and (vi) is appropriate and would potentially improve consistency of work performed in these situations. Further guidance in this area would also potentially improve the consistency of the reporting provided by component auditors when their work constitutes anything less than a “full” audit (i.e., application of all relevant ISAs). In particular, component auditors have different understandings as to the implication for their reporting to the GET where the component materiality provided to them by the GET is higher than the materiality level that they would have determined for the component on a stand-alone basis(e.g., in this situation, is it appropriate to still consider this an “audit”?). • Clarification of the terms used in the standard, as explained in paragraph 272, would be helpful. Auditors have different understandings of these terms, including the difference between “agreed-upon procedures,” “specified audit procedures,” and “specified procedures.” • The point described in paragraph 273 with respect to centrally-tested balances is also an important area that requires clarification as, again, this is treated in diverse ways by both GETs and component auditors (i.e., in situations when the GET tests centrally, but asks the component auditor to do an audit - the items <u>not</u> tested by the component auditor are described in various ways when reporting back to the GET). • There are varying views on whether, and to what extent, reviews of components’ financial information contribute to the overall audit evidence of the GET. DTTL, therefore, supports a reconsideration of this, including providing additional guidance with respect to the appropriate role of reviews of component’s financial information in a group audit as described in paragraph 279 (c). <p>In addition to DTTL’s considerations above, DTTL recognizes the scoping process in a group audit is frequently highly complicated, with a complex interaction between work performed at individual components and an assessment of whether risks of material misstatement at the group level have been adequately addressed. In many cases, this involves the GET performing an assessment of the material balances and how they have been addressed across the group. At the end of this process, the GET often struggles with the question of “How much is enough?” as it pertains to the question of “coverage” (i.e., considering the percentage of the consolidated account balance that has been subject to audit procedures). This is further complicated when there are multiple layers within the group, in which case components are themselves “sub-groups” and need to apply their own scoping process. Therefore, the actions described in paragraph 279 with respect to clarifying and providing additional guidance are important. DTTL does, however, caution against adding additional requirements specific to non-significant components without holistically addressing the question of whether ISA 600 is suitably flexible to allow the GET to adapt the standard to their circumstances. Groups are organized in multiple different ways with some groups being centered on an entity view with others being more focused on account balances (and the allocation of account balances to entities is of secondary importance). This makes it important for the standard to be principles based and not overly prescriptive in mandating a rigid approach that cannot be appropriately adapted by the GET for the differences in group structures that exist.</p> <p>As it pertains to the GET’s involvement in the consolidation process, DTTL believes that it is appropriate to reassess whether the existing requirement in paragraphs 33 and 34 of ISA 600 are overly prescriptive. Organizations frequently have complex consolidation structures with multiple layers of consolidations being performed. It would not seem to be necessary or desirable that the GET has to be involved in testing each one of these layers of consolidation; however, the GET should maintain an overall understanding of the risks associated with the consolidation process performed across the group and how these are being addressed (either by the GET themselves or by component auditors) under the direction of the GET.</p>
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		Finally, DTTL agrees with the suggestion to strengthen the standard around the issue of subsequent events in the interests of further consistency of how the GET is addressing this issue.
33.	EYG	<p>We believe the most meaningful actions are those that involve:</p> <ul style="list-style-type: none"> ► Clarifying the definitions of significant and non-significant component (as well as the descriptions and principles for use of the corresponding work efforts that may be appropriate for significant and non-significant components) to better reflect and respond to the risks of material misstatement of the group financial statements (refer to (b)(i) below) ► Providing further guidance on, and examples of, how the group engagement team should determine which non-significant components should be selected for further work (when significant components do not cover the risks of material misstatements of the group financial statements) (refer to (b)(ii) below) <p>Issues related to audit procedures performed on the component's financial information</p> <p>We support the IAASB's planned action to revisit the requirements for scoping a group audit in order to promote better alignment with the risks of material misstatement of the group financial statements (refer to (b)(i) below for our further views).</p> <p>In regard to the other proposed actions in this section:</p> <ul style="list-style-type: none"> ► We support clarifying the distinction between work performed for the purposes of the group audit and work performed to support a separate auditor's report (e.g. a statutory audit) at the component level and providing supporting application material on relevant considerations for component auditors. However, consistent with our view in QC1, we do not support a separate standard for component auditors. ► We support clarifying the implications to the work effort of components when work is performed centrally on certain processes, balances or transactions, either by the group engagement team, or by other auditors. We especially support clarification related to audit work performed at an entity's shared service center. We believe that work performed centrally provides evidence for the group audit as a whole and therefore the work applies to all components to which that process, control or balance is relevant (regardless of whether the procedures performed cover transactions from each relevant component). <p>Issues related to non-significant components, sub-consolidations and subsequent events procedures</p> <p>Please refer to our responses to (b)(ii), (iii), and (iv) below, respectively.</p>
34.	GTI	<p>We agree that the requirements and related application material addressing the types of work required for significant and non-significant components need to be revisited, especially in circumstances where the group is composed almost entirely of non-significant components. It is currently unclear what is meant by an "audit of financial information." If a component auditor is performing audit procedures for group reporting purposes, clarification that all of the ISAs may not need to be applied in all circumstances would be helpful. This is especially difficult in situations where the group auditor requires the component auditor to perform an audit of a specific account or balance. For example, in an audit of a specific account or balance, it is unlikely that ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements will apply. It is also unclear if full planning and completion procedures in accordance with the ISAs would actually be required.</p> <p>With respect to providing examples of specified audit procedures or specified procedures in specific circumstances, we question the usefulness of providing such examples given the wide range of circumstances that may exist. However, clear differentiation of the difference of specified procedures from the audit of one or more account balances may be helpful in guiding the group auditor.</p> <p>In groups that consist entirely of non-significant components we agree that it would be helpful to provide further guidance for the group auditor to assist in both the consideration of the components at which procedures should be performed to support the group audit and the</p>

		<p>types of procedures that would be appropriate to perform at those components. Further, clarification of the role of entity-level controls and analytical procedures performed at the group level as part of the body of evidence obtained by the group auditor would also be useful.</p> <p>We agree that the scope of ISA 600, in reference to fund of funds and investments carried at cost or at fair value should be clarified. It should be made clear that financial statements that only contain investments, i.e., no other components are identified, are not considered group financial statements for the purposes of ISA 600. Further, it should also be clarified in ISA 600, that some of the principles may be applied when the determination of fair values is based on information received directly or indirectly from the components.</p> <p>We also believe that the group auditor's responsibilities in respect of sub-consolidations should be clarified. There should be flexibility in the level of involvement required from the group auditor in any sub-consolidations to reflect the circumstances specific to each engagement. This should take into account factors such as practical access issues, the level of knowledge required to perform detailed audit procedures on the sub-consolidation and the level of assessed risk at the sub-consolidation level. In many instances component auditors at the sub-consolidation level may be better placed to perform these procedures.</p> <p>We question whether elevating the status of application material would result in a significant change in behavior.</p> <p>In respect to subsequent event procedures required to be performed by the component auditor, where the component auditor is performing procedures other than the audit of the component financial information, ISA 600 requirement is for "the component auditor to inform the group auditor if they [presumably the component auditor] become aware of subsequent events that might require adjustment or disclosure in the financial statements." The IAASB could consider strengthening this requirement to require the group instructions to the component auditor to contain specific procedures in respect of the identification of subsequent events consistent with ISA 560, Subsequent Events in circumstances where subsequent events need to be performed.</p>
35.	KPMG	<p>Identifying and Assessing the Risks of Material Misstatement in a Group Audit (GA 5 and GA 7)</p> <p>We support the suggestion to reinforce that the auditor's understanding of the risks of material misstatement builds upon the requirements in ISA 315 (Revised), and that the responses to the assessed risks of material misstatement are to be framed in terms of ISA 330. This clearer linkage will help group auditors to address risk more effectively and to use component auditors in a more focused way. In this regard we refer also to our comments above regarding moving away from a prescriptive standard that is based on a structural approach, to a principles-based standard that focuses on involvement of another auditor.</p> <p>As part of this, we encourage the IAASB to reconsider the binary terminology of "significant" and "non-significant" components. Instead, as we highlight above, we recommend that the standard build on the current approach to give greater emphasis to consideration as to where risks may arise, and the most appropriate approach to respond to such risks. The current approach set out in extant ISA 600 may result in group engagement teams focusing on coverage of account balances, or excluding certain components altogether on the basis that these may be categorised as non-significant, which we do not believe is the underlying intention of the ISA.</p>
36.	PwC	<p>(i) As noted in our response to question GA1, we support bringing clarity to the question of what it means to apply all relevant ISAs in work conducted on a component's financial information. In particular, questions arise most commonly when the group team determines that an audit of one or more account balances, classes of transactions or disclosures is necessary at the component. In such cases, the component auditor is not conducting an audit of the full component, therefore questions arise as to whether there are ISAs and/or requirements of certain ISAs that are no longer relevant. We, therefore, support bringing clarity to procedures in the ISAs that may not be relevant in the circumstances of a component auditor's work and how this impacts a component auditor's assertion of compliance with the ISAs in their report, where issued, to the group engagement team.</p>

		<p>With respect to the work performed over a component that is individually financially significant to the group we believe that areas that are pervasive to the work of a component auditor are not matters that can be excluded from the scope of their work. There is a boundary beyond which it is no longer appropriate to assert that an audit has been conducted. Drawing out this consideration is, in our view, useful. We do, however, support the principle that a group engagement team determines the work that is necessary at a given component. We therefore believe that there is merit in revisiting whether an audit of the complete financial information of the component is the only option that may be responsive. Depending on how the group engagement team determines financial significance it may not be necessary for all the information of the component to be audited. We believe the construct of paragraph 27 of ISA 600 could be applied to all significant components, supported by enhanced application material on relevant considerations for determining the most appropriate response. See also our response to point (b)(i) below.</p> <p>As noted in our earlier responses, with respect to group engagement scoping, a SSC does not easily fall within the definition of a component and the determination of the work effort that is appropriate based on the requirements in ISA 600 therefore lacks clarity. We support clarifying considerations in this area.</p> <p>Lastly, we agree that confusion exists over the term “specified audit procedures” and how it compares to agreed-upon procedures. We therefore support clarifying the nature of such procedures and their characteristics that distinguish them from agreed-upon procedures. Further, we do not believe there was intended to be a difference between ISA 600 paragraph 27(c) (“specified audit procedures”) and ISA 600 paragraph 29 (“specified procedures”), and suggest simply aligning both to refer to specified audit procedures.</p> <p>(ii) See response to point (i). (iii) No further comments. (iv) No further comments.</p>
37.	RBI	--
38.	RSM	<p>(i) We agree with the actions listed in paragraphs 272–273, 279, 288 and 292. (ii) All are important matters for consideration. (iii) None. (iv) N/A.</p>
39.	SRA	--
Public Sector Organizations		
40.	AGC	<p>Given the significant volume of consolidated entities and operations in consolidated financial statements of governments, the most meaningful action discussed in the above mentioned paragraphs from our perspective would be providing further guidance on how the group engagement team should determine which non-significant components require procedures and how to determine when a sufficient number of components have been selected for the performance of such procedures, notwithstanding that paragraph A53 of ISA 600 addresses, albeit to a limited degree, the situation where a group may be comprised of components that are non-significant components.</p>

		Similarly, while less significant, we also support revisiting the interaction between the definition of a component and the description of the consolidation process in ISA 600 to add clarity to the application of ISA 600.
41.	AGSA	<p>(i) Option D. ISA 600 could be enhanced by more explicitly linking to the relevant requirements and application material in ISA 315 (Revised) (which requires the auditor to obtain an understanding of internal control relevant to the audit and the financial reporting process used to prepare the entity's financial statements), and adding more application material to ISA 600 to explain how this might apply in the context of a group audit, specifically when sub-consolidations exist.</p> <p>(ii) This will enhance the effective performing of the audit as well as focusing on the significant issues and addressing those rather than to waste time on unimportant and immaterial issues therefore encouraging efficiency.</p> <p>(iii) None identified</p> <p>(iv) None identified</p>
42.	GAO	The group auditor is responsible for identifying risk and ensuring adequate communication with the component auditor. We also believe that the application guidance should include an example related to having a large number of nonsignificant components in an audit, to show how the group auditor can reevaluate significance when a large number of individually nonsignificant components make up a significant amount in the aggregate.
43.	INTOSAI	We believe the responsibility for identification of risk and adequate communication with the component auditor is the responsibility of the group auditor. As it relates to a large number of non-significant components existing in an audit, we believe an example for the group auditor should be added to the application guidance showing how the group auditor can re-evaluate significance when a large number of individually non-significant components make up significant amount in the aggregate. We believe that requirements and application guidance should be considered for consolidation of investments using the equity method, including considering whether to treat the investments at cost or fair value.
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	<p>We believe the approach to identifying and assessing the risks of material misstatement will depend on the facts and circumstances of the particular audit client. While for many groups it may be appropriate to plan for the group as a whole and then communicate that decision to component auditors, this may not be applicable to all group audits. We think engagement partners should be encouraged to adopt the most appropriate approach based on their knowledge of the client.</p> <p>In paragraph 276, we are sympathetic to the concerns raised by regulators and audit oversight bodies. It would be appropriate to refer to the need for the engagement partner to consider whether 'residual balances' may contain material misstatements and to determine appropriate actions.</p>

		Where a group contains a material sub-consolidation undertaken at a component level, we would expect the component auditors' instructions to be designed so as to allow the group auditor to understand the nature of sub-consolidation journal entries.
47.	AIC	--
48.	AICPA	<p>ISA 600 is focused on group financial statements; however the purpose of classifying components as significant or not is unclear. We agree that it is necessary to look at components in order to opine on the totality; perhaps additional emphasis on controls is warranted to address aggregation risk.</p> <p>We agree with the possible actions proposed in paragraph 272b. With respect to "specific procedures," we strongly support clarification of the distinction between an agreed-upon procedures engagement (AUP) under ISRS 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information, and reporting on specified procedures performed under ISA 600. The auditor is expected to exercise professional judgment; however, in an AUP engagement there is less focus on judgment and more on doing procedures as prescribed. We caution about the inclusion of performing AUPs in accordance with ISRS 4400, as the need to restrict the report may impede full communication. Clarifying the work effort related to analytical procedures would also be very helpful.</p> <p>Regarding the possible actions in par. 279(c), we are concerned that the use of the word "challenging" implies the possibility of eliminating the option of a review. We do not support that; depending on the circumstances, a review may be appropriate. Taking it away would limit the auditor's toolkit. We do support further exploration of how reviews can be used, perhaps with additional procedures. The objective is to obtain sufficient appropriate audit evidence; rather than restricting procedures, explain the extent and limitations of evidence provided by analytical procedures and inquiry.</p> <p>Sub-consolidations is not an area that need as much focus. Subsequent events is often a concern, particularly in governmental entities in which the government does not have control over an independent entity that is required to be consolidated or included in the government's financial statements, as described below in the response to GA13. Usually inquiry of group management and the component auditor provides sufficient appropriate audit evidence, but on occasion there are large time differences between the date audit work is completed at the component and at the group level. Implementation guidance in this regard would be helpful.</p>
49.	APESB	--
50.	CAANZ	<p>(i) There is a need for further guidance on using qualitative factors is risk assessment and responses and, as previously discussed, on applying ISA 600 to a wide range of scenarios and expanding the scope of the standard.</p> <p>(ii) The feedback we received in relation to this section was that if the appropriate clarifications in relation to access, communication and access and continuance are made, many of the issues addressed here would be minimised.</p> <p>(iii) No further comments.</p> <p>(iv) Unintended consequences of more prescriptive requirements may include encouraging behavioural traits that focus on compliance and which run counter to the depth of thinking required for a quality audit. Also, there are already over 440 mandatory requirements in auditing standards. The cost of complying with an increased number or with increased prescription in mandatory requirements is not insubstantial. Any potential increase in audit quality would have to justify the cost of compliance. Any potential increase in audit quality also needs to take into effect the cumulative effect of additional mandatory requirements on an auditors' ability to apply appropriate time and judgement. This may be particularly pertinent to smaller firms of practitioners, sole practitioners or smaller audit engagements.</p>

51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	<p>(i) Our stakeholder engagement provided very little support for clarifying the auditing standards with respect to how component auditors should address group risk, even though they supported clarification of how to determine risk in a group audit. Those stakeholders who supported clarification of response to group risks, considered that the following actions would be most effective:</p> <ol style="list-style-type: none"> 1. Explaining that testing undertaken by the component auditor can be limited to only balances or transactions relevant to the group if the work is solely for the purpose of the group audit. 2. Requiring clear instructions to be provided to component auditors and a mutual understanding to be established about what is expected. 3. Identifying the different types of procedures which may be required from the component auditor. 4. Clarifying the extent of analytical procedures at a group level for non-significant components. 5. Explaining that different work is required for the purposes of the group audit compared to a standalone component auditor's report. 6. Identifying the necessary procedures at the component level on amounts audited centrally and allocated to the component. 7. Clarifying how to determine which and how many non-significant components to select for testing. 8. Clarifying whether the group engagement team needs to test sub-consolidations and related internal controls. 9. Requiring that subsequent events are addressed by component auditors. <p>(ii) We do not consider clarifying how component auditors respond to assessed risks is a priority, nevertheless application material on the matters identified may be of assistance to component auditors. Instead we suggest that the focus of amendments needs to be on the assessment of risk (see response to GA5 above).</p> <p>(iii) No further issues or actions identified.</p> <p>(iv) No specific consequences identified.</p>
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	We are supportive of additional application material being provided but do not believe that examples need to be included.
58.	★ FACPCE	--

★ Responded to Overview questions of the ITC

59.	FEE	<p>(187) The most meaningful action would be the one outlined in paragraph 272 (b) suggesting that some application material should be clarified. We highlight in particular the note (v) in this paragraph, which calls for further clarification on “the expected work effort to analytical procedures at the group level for components that are not identified as significant”. It is also important to clarify when it will be necessary to perform any further procedures in such a case.</p> <p>(188) The action outlined in paragraph 279 (b) should be addressed in order to provide further guidance on “how the group engagement team should determine which non-significant components would require procedures and how to determine when a sufficient number of components have been selected [...]”. Addressing the differences identified in application material in this area would result in improvements. In any case, the IAASB should urge the auditor to apply professional judgement when faced with such decisions.</p> <p>(189) This will help distinguish the scope and work effort involved for both significant and non-significant components.</p> <p>(190) There seems to be evidence that in a number of cases in practice the group auditor does not take sufficient time to step back, after scoping the significant components and the procedures to be performed, to ascertain whether they have gathered sufficient audit evidence.</p> <p>(191) Furthermore, the main problem is not the identification of components per se but the combination of ‘bottom up’ and ‘top down’ approaches to the assessment of the risks of material misstatement, especially in cases where there are numerous non-significant components involved.</p> <p>(192) We have no further comments.</p>
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	--
63.	IRE-IBR	<p>(123) We believe the most meaningful action would be the one outlined in paragraph 272 (b) suggesting that some application material should be clarified. We find particularly significant the note (v) in this paragraph which asks for further clarification on ‘the expected work effort to analytical procedures at the group level for components that are not identified as significant’. It is also important to clarify when it will be necessary to perform any further procedures in such a case.</p> <p>(124) Lastly, the action outlined in paragraph 279 (b) should be addressed in order to provide further guidance on ‘how the group engagement team should determine which non-significant components would require procedures and how to determine when a sufficient number of components have been selected [...]’. There seems to be differences identified in application and guidance in this area would result in improvements.</p> <p>(125) The current guidance might not lead to the most effective and efficient approach to scoping components. This will help distinguish the scope and work effort involved for both significant and non-significant components.</p> <p>(126) There seems to be a number of cases in practice where the group auditor does not take sufficient time to step back, after scoping the significant components and the procedures to be performed, to ascertain whether they have gathered sufficient audit evidence.</p> <p>(127) No further comments.</p>

64.	ICAEW	<p>While it would be helpful to clarify that an “audit of financial information of the component using component materiality” may not necessarily mean that component auditors are expected to apply all requirements in all relevant ISAs in all circumstances, it would not be helpful to specify which ISAs may not be relevant, to avoid that list being interpreted as exclusive.</p> <p>We do not believe that examples of “specified audit procedures” or “specified procedures” in specific circumstances are necessary or helpful as they vary enormously.</p> <p>More detail on the expected work effort related to analytical procedures at group level for non-significant components might be helpful, depending on how it is worded.</p> <p>Clarification regarding the implications of audit being work is performed on aggregated balances or processed centrally would be helpful but in application material rather than requirements because of the wide variation of arrangements for this.</p> <p>The test in the case where there are a large number of companies, none of which are significant individually, but that in aggregate represent ROMM, should be a substance over form test: if a property company holds 20 properties in 20 companies, all of them independently audited, and none of them individually significant, auditors should consider what they would do were the properties not artificially separated from each other using the veil of incorporation. What would auditors do if they were all in a single company?</p> <p>The reference to the cost method in the description of the consolidation process should be removed.</p> <p>ISA 600 should clarify that financial statements that only include investments accounted for at fair value or using the cost method are not considered groups.</p> <p>The test with respect to group auditor responsibilities for the consolidation process (and possible sub-consolidations) should also be a substance over form test: the question auditors should ask themselves is what they would do were the ‘sub-consolidations’ performed within a single company. It may not be possible to be more specific than this because group auditors may not be in a position to demand greater involvement in sub-consolidations and the focus here should be on the assessed risk of error in the sub-consolidation, and an appropriate response.</p> <p>Appendix 2 is long and we see no case for elevating any of its content. To do so would not change behaviour.</p>
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	It would be helpful if further guidance was provided in relation to the extent of work to be performed by group auditors on non-significant components in light of regulatory concerns that insufficient audit work is performed on these component entities. In particular, note (v) in paragraph 272(b) calls for further clarification on “the expected work effort to analytical procedures at the group level for components that are not identified as significant”. It is important to clarify when it will be necessary to perform any further procedures in such cases.
67.	ICAZ	--
68.	ICPAK	--
69.	★ ICPAU	--

★ Responded to Overview questions of the ITC

70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	<p>(i) (a) Revisiting the requirements for the types of work required for significant and non-significant components, and challenging whether the outcome of applying them results in the work effort on financial information of components being commensurate with the risks of material misstatement in the components, and (b) providing application material to clarify that the manner in which the requirement to perform an “audit of financial information of the component using component materiality” is applied may vary depending on the specific circumstances, would be most meaningful.</p> <p>In addition, addressing considerations of the group engagement team as to what should be performed in non-significant components and challenging the role of the review engagement on component financial information would also be meaningful.</p> <p>(a) Clarifying that financial statements that only include investments accounted for at fair value or using the cost method of accounting are not considered group financial statements for the purpose of ISA 600, and (b) revising the requirements in ISA 600 to determine whether the group engagement team's responsibilities in relation to sub-consolidations need to be clarified or enhanced, are also believed necessary as well.</p> <p>(ii) The actions clarify the existing requirements and application material, thereby contributing to easing mismatch in practice and maintaining the standards up to their purpose.</p> <p>(iii) We have no comments.</p> <p>(iv) Please refer to answers in (ii) of GA7 (a).</p>
73.	MICPA	--
74.	SAICA	<p>155. In terms of indicating which of the possible actions proposed by the IAASB would be most meaningful to address issues related to responding to identified risks of material misstatement in a group audit, the survey respondents indicated their preference for the following nine actions [the most meaningful listed first, from (1) to (9)]:</p> <ol style="list-style-type: none"> (1) Challenge whether the requirement to perform an audit of the financial information of significant components using component materiality is appropriate in all cases, or whether it should be made more flexible. (2) More clearly distinguishing between the types of procedures that could be performed and in which circumstances they might be appropriate. (3) Providing application material to clarify that the manner in which the requirement to perform an “audit of financial information of the component using component materiality” is applied may vary depending on the specific circumstances. (4) Clarifying the distinction between work performed for the purposes of the group audit and work performed to support, for example, a standalone auditor's report at the component level. Application material could also be provided on relevant considerations for the component auditor in different circumstances. (5) Providing further guidance on how the group engagement team should determine which non-significant components would require procedures and how to determine when a sufficient number of components have been selected for the performance of such procedures.

		<p>(6) Clarification in the requirements, or additional application material, about the implications in situations where audit work is performed on balances in the aggregate, or processed centrally, would also help clarify the procedures to be performed at the components (including in situations when the work is supporting standalone component auditor's reports in addition to the report on the group financial statements).</p> <p>(7) Strengthening the requirements (with related application material) to address the group engagement team's considerations about the work to be performed on non-significant components, in addition to the work to be performed on significant components.</p> <p>(8) Clarifying the expected work effort related to analytical procedures at the group level for components that are not identified as significant, including providing additional application material as to how to plan and perform such procedures, and how to use the results in supporting conclusions that risks of material misstatement related to the group financial statements have been addressed.</p> <p>(9) Revisiting and providing further clarification as to what the various terms mean in the context of ISA 600.</p> <p>156. 96.2% of survey respondents indicated that they are not aware of other issues that the IAASB should consider relating to this section of the ITC.</p> <p>157. 92.0% of the survey respondents indicated that they are not aware of other action that the IAASB could take to address the issues highlighted in this section of the ITC</p> <p>158. A suggestion was raised that there is a need to require basic training in the following areas by professional accountancy bodies for their members who are required to comply with the requirements of the standards. These may also be areas to emphasise in relation to the formal education and training programmes for auditors.</p> <ul style="list-style-type: none"> ➤ Project management (i.e. a group audit requires sound project management skills) ➤ Change management ➤ Process mapping ➤ People and relationship management ➤ Ethics, etc.
75.	SMPC	<p>The SMP Committee supports application material clarifying that the manner in which the requirement to perform “an audit of financial information of the component using component materiality” is applied may vary depending on the specific circumstances and may not necessarily mean the component is expected to apply all requirements in all relevant ISAs in all circumstances. For example, the group auditor's risk assessment may be such that concentration on a component's significant risks would provide sufficient appropriate audit evidence for the group auditor's purposes. The component auditor would not necessarily need to perform a complete financial statement audit in such situations, but instead could be instructed by the group auditor as to their exact needs.</p> <p>We therefore do not believe that examples of “specified audit procedures” or “specified procedures” in specific circumstances will be helpful as these will vary significantly. However, we support clarifying the expected work related to analytical procedures at the group level for non-significant components and the distinction between work performed for the purposes of the group audit and work performed to support a standalone auditor's report at the component level.</p>

		We agree that reference to the cost method of accounting in the description of the consolidation process should be removed. In addition, we support clarifying that financial statements that only include investments accounted for at fair value or using the cost method of accounting are not considered group financial statements.
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	<p>(i) Although the actions are reasonable, the context is limited; the complexity in group structures is not given enough attention.</p> <p>(ii) IFRS 10, IFRS 11 and IFRS 12 introduced new complexity into identifying and consolidating group entities, which is not matched by the audit guidance.</p> <p>(iii) Identifying non-significant components remain problematic; the auditor needs an understanding of the component's control environment to make an assessment whether the information presented to the parent is complete. In particular, the auditor needs pre-requisite understanding of the group operational management as it applies to the component, how group culture manifests at a local level, fraud risk at the component, reliability of IT systems used by the component etc. It may be too simplistic to rely on numbers presented for group reporting.</p> <p>Further a group's IT systems do not always have state-of-the art consistency across all components but may have many sub-systems or disparate systems that link into group reporting through spreadsheets or other input documents. This type of control environment makes the "top-down" approach in ISA 600 very difficult to implement and auditors have tended to favor a "building block" approach, ensuring the completeness of information at each level, building up to a consolidation.</p> <p>ISA 600 seems to presume a uniform control environment across the group and non-significant components, but this rarely occurs. The auditor's high level understanding of the organization, reporting lines, IT systems drives whether a "top-down" or "bottom-up" audit approach is needed.</p> <p>Further, group consolidations, particularly in the private sector may have different stakeholder and non-controlling (minority) interests in different parts of the group activity which prompt broader consideration of materiality for each component.</p> <p>Many of these aspects have limited guidance in ISA 600, which drives a vanilla group audit response.</p>

		(iv) No further comment
84.	JGrant	<p>Responding to identified risks. The ITC suggests that some are challenging the value of the concept of significant components in identifying risk. However the role of significant components within ISA 600 is much greater than just for risk assessment purposes. As with all changes in makes the new IAASB needs to fully understand the thinking of old IAASB before making them.</p> <p>When IAAB finalised ISA 600 one of its main concerns was to make sure that sufficient audit evidence had been obtained – some thought that reviews (not audits) of component information would be enough. This issue was resolved by requiring all significant components to be audited (using the complete set of ISAs) to an appropriate level of materiality.</p>
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA7. Responding to Identified Risks of Material Misstatement in a Group Audit (Including Issues Relating to the Group Engagement Team’s Involvement in the Consolidation Process)

(b) Specifically:

- (i) What are your views on scoping the audit based on identifying and assessing the risks of material misstatement for the group as a whole, rather than focusing the determination of the necessary work effort on the determination of whether components are considered significant or non-significant? Are there any practical challenges that we need to consider further?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--

★ Responded to Overview questions of the ITC

Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	<p><i>Risk assessment and responses to risks</i></p> <p>37. We agree that risks identified at component level should be taken into account at group level [ITC §253(b)]. However, this should be an explicit requirement as opposed to application material in the standard. Moreover, we would like to draw the IAASB's attention to the additional need for the group engagement team to further ensure that appropriate procedures to cover the risks identified at component level are effectively implemented by the group engagement team or the component auditor.</p>
17.	IOSCO	[see pp. 13–27 of comment letter]
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	See response to GA7(a)
National Auditing Standard Setters		
21.	AUASB	The AUASB is of the view that scoping of a component needs to use a combination of a top-down and bottom-up approach. A bottom-up approach to scoping may not appropriately focus the work of a component auditor on those aspects that are likely to be most significant in

		relation to the group financial statements. A top-down approach may result in the possibility that a misstatement at the component level is not detected which may lead to the group financial statements being materially misstated. Accordingly, the AUASB considers a combination of the two approaches to be preferable, that is, range/continuum, where some clients may be on one end, some on the other end and some in the middle where both are needed.
22.	CAASB	See response to GA7(a)
23.	CNCC-CSOEC	See response to GA7(a)
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	In our view, both risk assessment and component significance need to be retained. The risk assessment at group level is a key aspect in determining whether a particular component is significant.
26.	JICPA	Please see our comment on GA(a) above.
27.	MAASB	<p>We agree with the proposed view of scoping the audit based on identifying and assessing the risks of material misstatement for the group as a whole.</p> <p>We believe that updating the overall group audit scoping framework to focus on the specific risks of material misstatement at the group level would represent a very significant change that would require careful consideration and significant implementation effort. Further evaluation of likely impact and cost/benefit analysis would be necessary, in our view, before making such a holistic change.</p> <p>Additional application guidance could be included in the ISA to provide clarity on the different circumstances (for example, firms with different audit approaches, quality control procedures, languages and jurisdictions) that may lead to an approach being adopted and the communication thereof.</p>
28.	NBA	--
29.	NZAuASB	The NZAuASB considers that even in significant components there may be risks of misstatement that may not be relevant to the group financial statements. The NZAuASB considers that a more risk based, principled approach is more likely to result in the work performed being sufficient or appropriate for the purposes of the group financial statements. This may also help to clarify the work to be performed on the components, including for significant and non-significant components.
Accounting Firms		
30.	BDO	This may be a concept that the IAASB may want to consider. Significant attention tends to be given to determining significance at the component level and the extent of testing necessary in the circumstances. A more targeted and efficient top-down approach to auditing the

		<p>group from a risk perspective may provide for improved audit quality (i.e. more time can be dedicated at group and component auditor levels for the group RMMs that have been identified).</p> <p>Potential downsides to this approach may be:</p> <ul style="list-style-type: none"> • a danger that group RMMs only manifest themselves during a component audit, although improved understanding of the group RMMs at the outset of the audit may help to mitigate this concern; • a top-down approach that focused mainly on risks at the group level may not be very practical for components within the group that have their own reporting requirements as some of the efficiencies of that approach could be lost at the component level. Engagement teams would need to manage carefully their risk assessment approach to avoid duplication of effort.
31.	CHI	<p>There are merits in taking a “group approach” to the assessment of risk. In practice this approach might reflect how the group is directed, managed and reported. Also, many systems and processes could be group wide. Overall, this approach can appear to be more “joined up”, and more flexible than taking a component approach.</p> <p>A practical challenge would be the change to the way that auditors have tended to perform group audits. To understand the nature of the challenges, IAASB could meet with audit firms to work through the implications of such a change, prior to proposing changes in an exposure draft.</p>
32.	DTT	See response to GA7(a)
33.	EYG	<p>We favor an approach that retains the concepts of significant and non-significant components, as well as defined levels of work effort (e.g., audit of financial information, audit of account balances, specified procedures). We believe that it is necessary to have this categorization in order to:</p> <ul style="list-style-type: none"> ► Facilitate a common understanding between group engagement teams and component auditors of the nature and extent of work that is expected, especially for group audits that involve component auditors from other firms or networks ► Allow for a practical risk-based approach to scoping the audit (i.e., as opposed to an approach that would allow complete customization of the scoping to the risks present in the group audit, which would require significantly more time and effort to perform as well as significantly increase the risk of inconsistent application across components and engagements) <p>That said, we believe that the current definitions of significant and non-significant components (as well as the descriptions and principles for use of the corresponding work efforts that may be appropriate for significant and non-significant components) should be improved to better reflect and respond to the risks of material misstatement of the group financial statements.</p> <p>Significant v. non-significant components</p> <p>We agree that the current definitions of, and distinctions between, significant and non-significant components do not include enough focus on, or consideration of, the risks of material misstatement related to a component. In particular, the determination of a significant component from a risk perspective in accordance with paragraph 27 of ISA 600 includes consideration of whether the component is likely to include “significant risks of material misstatement of the group financial statements”, which could be interpreted to mean that consideration only needs to be given to significant risks.</p>

	<p>We would suggest the definition of significant component be revised to include any component that is likely to individually include risks of material misstatement of the group financial statements. Non-significant components would therefore include those components that are not likely to individually include risks of material misstatement of the group financial statements.</p> <p>Further, we find the application of the “likely” threshold (i.e., whether the component is “likely” to include risk(s) of material misstatement) to be challenging in practice; specific guidance on this threshold would be very useful. We believe this is not an exercise that strictly involves a comparison of the component balances to quantitative materiality thresholds in order to identify those balances that have a mathematical possibility of being materially misstated; rather, this evaluation should be focused on the risks of material misstatement of the group financial statements and how those risks manifest in the components.</p> <p>As it relates to non-significant components, we agree with the proposed action in paragraph 272(v) of the ITC to clarify the expected work effort related to the analytical procedures that are for the purposes of determining whether these non-significant components, in the aggregate, include risks of material misstatement to the group financial statements. When a conclusion is reached that these non-significant components, or subgroups of these components, are likely to include, in the aggregate, risks of material misstatement, then the auditor needs to determine the appropriate level of further work effort (refer to our comments in (b)(ii)). Importantly, however, when a conclusion is reached that these components, in the aggregate, do not include risks of material misstatement (i.e., the risks of material misstatement have been addressed by the significant components), further guidance on how the auditor supports this conclusion, including that aggregation risk has been appropriately considered, would be beneficial.</p> <p>Levels of work effort for components</p> <p>We believe the current work effort options in paragraph 27 and 29 of ISA 600 are appropriate. We agree with the proposed actions in paragraph 272 to:</p> <ul style="list-style-type: none"> ▶ Clarify that the manner in which “an audit of the financial information of the component using component materiality” is applied may vary depending on the specific circumstances and that this “audit” includes application of relevant ISAs. Further guidance on the determination of relevant ISAs would also be beneficial, including whether certain ISAs can be considered not relevant (e.g., ISA 260 or ISA 320). ▶ More clearly define and distinguish between the work effort levels that could be performed, including clarifying the difference between “specified audit procedures” for significant components and “specified procedures” for non-significant components, and clarifying when a “review of the financial information” may be an appropriate work effort for a non-significant component. <p>As it relates to the auditor’s selection of an appropriate work effort for a particular component, we agree with the proposed actions in paragraph 272(a) to revisit the requirements and guidance to promote greater alignment between the risks of material misstatement related to the component and the appropriate level of work effort to address those risks of material misstatement. We believe it is important to clarify which work efforts are likely to be appropriate in certain circumstances but to also allow the auditor sufficient flexibility in the selection of an appropriate work effort, especially as it relates to determining the appropriate work effort for non-significant components, when necessary (refer to (b)(ii) below).</p> <p>We also believe it is necessary to clarify, for each of the levels of work effort, the required form of conclusion that should be provided by the component auditor to the group engagement team in accordance with paragraph 41(j) of ISA 600. For example, if the component auditor performs an audit of the financial information of the component, we expect the component auditor to be required to express an opinion that reasonable assurance has been obtained that the financial information of the component auditor is not materially misstated. The level of</p>
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		work effort and the resulting conclusions should be taken into account by the group engagement team as part of their evaluation of the component auditor's work (refer to our response to GA8 for further comments).
34.	GTI	See response to GA7(a)
35.	KPMG	<p>Identifying and Assessing the Risks of Material Misstatement in a Group Audit (GA 5 and GA 7)</p> <p>We support the suggestion to reinforce that the auditor's understanding of the risks of material misstatement builds upon the requirements in ISA 315 (Revised), and that the responses to the assessed risks of material misstatement are to be framed in terms of ISA 330. This clearer linkage will help group auditors to address risk more effectively and to use component auditors in a more focused way. In this regard we refer also to our comments above regarding moving away from a prescriptive standard that is based on a structural approach, to a principles-based standard that focuses on involvement of another auditor.</p> <p>As part of this, we encourage the IAASB to reconsider the binary terminology of "significant" and "non-significant" components. Instead, as we highlight above, we recommend that the standard build on the current approach to give greater emphasis to consideration as to where risks may arise, and the most appropriate approach to respond to such risks. The current approach set out in extant ISA 600 may result in group engagement teams focusing on coverage of account balances, or excluding certain components altogether on the basis that these may be categorised as non-significant, which we do not believe is the underlying intention of the ISA.</p>
36.	PwC	<p>We acknowledge the arguments for adopting a top-down approach, focussing on the assessment of risk at the group level. Such an approach works effectively when the auditor is also required to express an opinion over internal control and, as described in our earlier responses, we support the view that a group engagement team should have a holistic understanding of the group, its components, the risks of material misstatement to the group financial statements and the work that is performed in support of the group audit opinion.</p> <p>However, if the overall group audit scoping framework is updated to focus on the specific risks of material misstatement at the group level and to remove the need to determine significant components, this would represent a very significant change that would require careful consideration and significant implementation effort. Further evaluation of the likely impact and cost/benefit analysis would be necessary, in our view, before making such a holistic change. We are not convinced the case has been made to abandon audits of components using component materiality. We believe there are benefits that accrue from this approach, including when a statutory audit of the component is also required, which brings synergies in the audit of the component being conducted once for dual purposes. Further to the challenges noted in the ITC over timing of work, in such situations we see a real concern that solely focusing on group level risks would further exacerbate issues relating to how the work of the component auditor is coordinated.</p> <p>As such, we would be concerned with a wholesale mandating of a top-down risk based approach that removed the current concept of financial significance. However, as we note in our response to point (a) above, we do believe that this concept can be retained but with greater flexibility given to a group engagement team to, in collaboration with component auditors, determine the work effort response that is most appropriate in the circumstances for components that are financially significant. That is best achieved when there is strong two-way communication between a group engagement team and component auditors, sharing knowledge and working collaboratively to determine relevant risks and the right responses in the engagement circumstances.</p>

		To that end, we believe proposed actions in relation to communications between a group engagement team and component auditors, which includes relevant information on risk assessment, clarity over instructions, and reporting expectations, can reinforce the performance of appropriate work and support audit quality.
37.	RBI	--
38.	RSM	Enhancing the guidance on the consideration of significant issues within the group would be beneficial and may have the desired effect of making sure that sufficient and appropriate audit evidence is obtained by the group auditor.
39.	SRA	--
Public Sector Organizations		
40.	AGC	--
41.	AGSA	The proposed scoping method is appropriate. The possibility should always be considered that the incorrect focus can be placed on insignificant issues. There should be a link between risks of material misstatement and significant components. (i.e. if there is a significant risk at group level that affects a component it should be regarded as a significant component.) The decision taken by the auditor must be made with professional scepticism and be clearly documented in terms of ISA 230.
42.	GAO	See response to GA7(a)
43.	INTOSAI	--
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	See response to GA7(a)
47.	AIC	--
48.	AICPA	See response to GA7(a)
49.	APESB	--

50.	CAANZ	See above.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	Scoping of the audit needs to consider both materiality of components and the assessed risk at the group level. In assessing risk at the group level, as noted in GA5, consideration of the impact of risks communicated by component auditors is necessary. We consider that the concept of 'significant component' needs to be reassessed as a measure of materiality and that materiality alone cannot be the basis of scoping the audit with respect to components.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	See response to GA7(a)
58.	★ FACPCE	--
59.	FEE	(193) The approaches to group audits are not mutually exclusive, but rather complement each other. Scoping the audit based only on the risks of material misstatement at the group level might have the consequence to overlook potential risks of material misstatement at the component level, some of which might, when consolidated from different components having the same risks, have a significant impact on the group activities and the group auditor's opinion. Conversely, an audit strategy looking from the 'bottom up' risks missing out group wide risks that are difficult to identify at a component level. The reality is likely to be a blended approach based on the understanding of the entity and the application of professional judgement with the relevant weighting depending on the particular facts and on the structure of the group. ISA 600 should recognise the importance of marrying the requirements of the work effort with the risk-based approach.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	--
63.	IRE-IBR	(128) Both approaches to group audits have associated risks. Scoping the audit based only on the risks of material misstatement at the group level might have the consequence to overlook potential risks of material misstatement at the component level, some of which

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		might, when consolidated from different components having the same risks, have a significant impact on the group activities and the group auditor's opinion. Conversely, an audit strategy looking from the 'bottom up' risks missing out group wide risks that are difficult to identify at a component level. The reality is likely to be a blended approach with the relevant weighting depending on the particular facts and structure of the group.
64.	ICAEW	See response to GA7(a)
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	See response to GA7(a)
67.	ICAZ	--
68.	ICPAK	--
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	<p>We support IAASB's background behind the direction of reviewing the above actions.</p> <p>Substantial amount of efforts are expected to be demanded, until identifying and assessing the risks of material misstatement for the group as a whole, and then determining the scope of audits, especially in case of a few risks of material misstatements existed in the whole group financial statements, combining the risk of misstatements of the respective components, with a large number of non-significant components. In addition, the current ISA 600 requires that not only financial significance of components but also the identification and evaluation of the risk of material misstatements be considered when determining the significant and non-significant components. Especially in an environment where most of components are under statutory audits, it would be more effective and efficient to maintain the scoping procedures, as described in the current ISA600.</p>
73.	MICPA	--
74.	SAICA	159. Some survey respondents indicated that scoping of group audits based on risks of material misstatement (RoMM approach) instead of the significance of components would provide more clarity as it may be a more straightforward determination, compared to "Significant" being open to interpretation. Others believe that it is adequate to focus on significant vs non-significant components.

★ Responded to Overview questions of the ITC

		<p>160. Supporters of the RoMM approach also stated that RoMM will already take into account the significance of the component. Other survey respondents indicated efforts should rather be directed towards clarifying what significance means as referred in the standard.</p> <p>161. Further views indicated that it is better to rather retain the current approach with respect to the categorisation of components, but clarify this in terms of some of the possible actions that have been proposed, including the appropriate consideration of significant risks identified at component level (effect on the group and other components) and identified as pervasive at the group level (effect on components). Furthermore, addressing the issues relating to non-significant components as described in the ITC paragraphs 275-279 could also contribute to improve the situation.</p> <p>162. A view was raised that the IAASB should take into account that the current approach was probably the result of practical challenges in terms of identifying and assessing risks of material misstatement for the entire group (the group as a whole). The complexities that could be encountered in terms of components should not be underestimated and the solution must still be a practical one while at the same time achieving the overall objectives of the audit and ensuring audit quality.</p>
75.	SMPC	See response to GA7(a)
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	<p>Private groups may have different ownership structures (including active yet legally non-controlling interests), bank funding with interest in particular activities only, and various operational management objectives, which may not be centralized under a traditional “head office”. Focusing on material misstatement for the group as a whole may not deliver the best value to the audit client or to the broader group of stakeholders.</p> <p>Audited consolidated group accounts may be of interest to (e.g.) family members requiring an overview of their investments. In these circumstances, relying on the work of another auditor, or reference to another auditor’s report, may be acceptable. The group owners</p>

		<p>understand the arrangements in place, and other stakeholders may have interest in the financial statements of individual components only.</p> <p>In these circumstances a “bottom-up” approach to auditing the group financial statements is likely to be more meaningful and cost effective. Additional work is required to meet the requirements of ISA 600 to provide an audit approach which focuses on material misstatement in the group as a whole. In contrast users are concerned with material misstatement (including qualitative materiality) in components, as reported in the group accounts.</p>
84.	JGrant	See response to GA7(a)
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

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GA7. Responding to Identified Risks of Material Misstatement in a Group Audit (Including Issues Relating to the Group Engagement Team's Involvement in the Consolidation Process)

(b) Specifically:

- (ii) Are there other possible actions related to auditing groups where there are a large number of non-significant components that we should explore? Are there other approaches to auditing such groups that need to be considered? Do the possible actions presented lead to any additional practical challenges?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]

★ Responded to Overview questions of the ITC

11.	EAIG	[see pp. 3 & 4 of comment letter of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	<i>Risk assessment and responses to risks</i> 37. We agree that risks identified at component level should be taken into account at group level [ITC §253(b)]. However, this should be an explicit requirement as opposed to application material in the standard. Moreover, we would like to draw the IAASB's attention to the additional need for the group engagement team to further ensure that appropriate procedures to cover the risks identified at component level are effectively implemented by the group engagement team or the component auditor.
17.	IOSCO	[see pp. 13 – 27 of comment letter]
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	See response to GA7(a)
National Auditing Standard Setters		
21.	AUASB	Nothing further noted.
22.	CAASB	See response to GA7(a)
23.	CNCC- CSOEC	See response to GA7(a)
24.	HKICPA	[see p. 5 of comment letter]

25.	IDW	We are not aware of appropriate alternatives to that already required for dealing with groups where there are a large number of non-significant components.
26.	JICPA	Please see our comment on GA(a) above.
27.	MAASB	<p>We support the principle that the group engagement team should, as a matter of course, be assessing whether risks of material misstatement are being addressed by the components that they have determined to be 'in-scope'.</p> <p>We support additional application guidance with regards to determining what level of work may be appropriate over non-significant components. Additional guidance and illustrative examples may be helpful on the extent of work to be performed over non-significant components and 'how much is enough', taking into account the relative size of the component, risk, building in an element of unpredictability in component selection.</p> <p>More clarity is needed to explain the reason and the level of work expected to be performed over non-significant components (which appears to be an oxymoron as these are components which are deemed not be significant to the group, yet work is still required to be carried out, hence, apparently defeating the purpose of scoping). It would appear that all entities, regardless of size, would have to be evaluated and may be selected for testing for the purpose of group audits. Pareto's principle should be applied in this context to ensure efforts are spent on matters that are truly important. There should perhaps be documentation on the basis for non-significant components being deemed to be so and evaluate whether these components could be subject to management fraud.</p>
28.	NBA	--
29.	NZAuASB	The NZAuASB has not identified any other possible actions.
Accounting Firms		
30.	BDO	See our earlier response in GA1(b) with reference to a step-back approach.
31.	CHI	<p>A "group wide" approach to the audit would help to address situations where there are a large number of non-significant components.</p> <p>Revisions to ISA 600 could address the judgment decisions that have to be considered by the group auditor in this situation. The group has to design procedures to obtain sufficient appropriate evidence to form an opinion. If there are a large number of non-significant components, then judgments have to be made. Application guidance might help with this.</p>
32.	DTT	See response to GA7(a)
33.	EYG	When a conclusion is reached that the non-significant components, in the aggregate, are likely to include risks of material misstatement, the auditor needs to determine the appropriate level of further work effort to address these risks. We agree that determining which components to select, as well as determining the appropriate level of work effort (e.g., audit, review, specified procedures) are both quite challenging in practice and further guidance in ISA 600 is definitely needed.

		<p>We strongly believe that a risk-based approach is of fundamental importance to effectively dealing with determining the extent of work needed on non-significant components. We would recommend such an approach involve the auditor:</p> <ul style="list-style-type: none"> ▶ Analyzing how the remaining risks of material misstatement of the group financial statements (i.e., those risks that have not been effectively covered through the work on significant components) manifest themselves across the non-significant components. For example, the auditor should consider which risks are pervasive to all non-significant components and which risks are only relevant to those in particular business lines, geographic areas, processing centers, or other specific components of the group structure. For those that are in the latter category, the non-significant components can be separated into clusters for the purposes of determining further work effort. ▶ Taking into account, in the context of each “cluster” of non-significant components and the associated risks, further factors that are relevant to the extent of work that may be necessary. These factors are likely to include (among others) the relevance and effectiveness of group-wide controls, the extent to which accounting related to the risks is performed centrally, and whether the components are subject to statutory audits for which the timing and applicable financial reporting framework are sufficiently aligned to those of the group audit. ▶ Judgmentally selecting non-significant components (in the context of each “cluster”) that require further work and determining the appropriate level of work effort for each non-significant component selected. The objective of this selection should be focused on the auditor reducing to an acceptably low level the risk that a material misstatement in the aggregate will not be detected (i.e., sufficient consideration of aggregation risk, which is a concept that is lacking in guidance in ISA 600). <p>We would contrast this approach to one that is focused on obtaining sufficient “coverage” of the group financial statement balances. In both approaches, there is likely to be some extent of non-significant components that are not covered by specific work. Use of a risk-based approach, however, would reduce the risk that the non-significant components (or elements thereof) not covered may contain a material misstatement of the group financial statements. Further, in group audit structures that are entirely comprised of non-significant components, it is often not practical or possible to obtain what may be viewed as sufficient coverage of the financial statement balances. In these group audits, an approach that involves understanding whether certain “clusters” of non-significant components have higher risks of material misstatement to the group in combination with a focus on the nature and extent of group-wide controls is of high importance to the auditor’s ability to obtain sufficient appropriate audit evidence for the purposes of the group audit.</p> <p>If the IAASB agrees with following an approach such as that outlined above, further guidance is needed for each of these three sets of considerations by the auditor, recognizing that such guidance needs to be sufficiently flexible to apply to a wide range of groups and specific circumstances.</p>
34.	GTI	See response to GA7(a)
35.	KPMG	<p>Identifying and Assessing the Risks of Material Misstatement in a Group Audit (GA 5 and GA 7)</p> <p>We support the suggestion to reinforce that the auditor’s understanding of the risks of material misstatement builds upon the requirements in ISA 315 (Revised), and that the responses to the assessed risks of material misstatement are to be framed in terms of ISA 330. This clearer linkage will help group auditors to address risk more effectively and to use component auditors in a more focused way. In this regard we refer also to our comments above regarding moving away from a prescriptive standard that is based on a structural approach, to a principles-based standard that focuses on involvement of another auditor.</p>

		As part of this, we encourage the IAASB to reconsider the binary terminology of “significant” and “non-significant” components. Instead, as we highlight above, we recommend that the standard build on the current approach to give greater emphasis to consideration as to where risks may arise, and the most appropriate approach to respond to such risks. The current approach set out in extant ISA 600 may result in group engagement teams focusing on coverage of account balances, or excluding certain components altogether on the basis that these may be categorised as non-significant, which we do not believe is the underlying intention of the ISA.
36.	PwC	We support providing additional application guidance with regards to determining what level of work may be appropriate over non-significant components. Additional guidance may be helpful on matters to think about when determining the extent of work to be performed over non-significant components and ‘how much is enough’, taking into account the relative size of the component, risk, extent of common processes and controls over which the group engagement team has evidence, and building in an element of unpredictability in component selection. Specifically, where an entity is subject to common group processes and controls this provides useful risk assessment information and indirect evidence for such entities.
37.	RBI	--
38.	RSM	None.
39.	SRA	--
Public Sector Organizations		
40.	AGC	--
41.	AGSA	If there are a large number of insignificant components, these should be sampled similar to the way the Auditor General South Africa (AGSA) performs audit on Audit of Predetermined Objectives (AOPO) and perform specific procedures on these.
42.	GAO	See response to GA7(a)
43.	INTOSAI	--
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	See response to GA7(a)

47.	AIC	--
48.	AICPA	See response to GA7(a)
49.	APESB	--
50.	CAANZ	See above.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	We suggest that other possible actions could include application material on the appropriate basis for rotation of insignificant components.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	See response to GA7(a)
58.	★ FACPCE	--
59.	FEE	<p>(194) We acknowledge the issue for practitioners to determine the appropriate approach to scope a group audit when a company has a large number of non-significant components. Nevertheless, the IAASB should be careful that the overly prudent solution of imposing too many fully scoped non-significant components is taken; this would be only marginal benefit to the group auditor at unnecessary cost.</p> <p>(195) In this respect, we consider that it would be helpful to enhance application material and encourage the audit firms to invest in training, and take into account that the application of professional judgement, the skills, and the experience of the personnel are crucial elements to this decision making process.</p>
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	--
63.	IRE-IBR	<p>(129) We acknowledge the issue for practitioners to determine the appropriate approach to scope a group audit when a company has a large number of non-significant components. Nevertheless, we believe that the IAASB should be careful not to impose to have too many fully scoped non-significant components, which may be of only marginal benefit to the group auditor.</p>

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		(130) To this respect, we consider that it would be helpful to enhance application material and encourage the audit firms to invest in training and take into account that the experience of the personnel is a crucial element to this decision making process.
64.	ICAEW	See response to GA7(a)
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	See response to GA7(a)
67.	ICAZ	--
68.	ICPAK	--
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	We have no comments.
73.	MICPA	--
74.	SAICA	163. 72.0% of survey respondents indicated that they are not aware of other possible actions related to auditing groups where there are a large number of non-significant components that should be explored. 164. Comments provided by some survey respondents further indicated that smaller /insignificant components in aggregate may be material /significant; thus more clarity /guidance on how to consider such components should be available.
75.	SMPC	See response to GA7(a)
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--

★ Responded to Overview questions of the ITC

80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	The operational and strategic objectives of group management are fundamental to assessing the risk of material misstatement in the non-significant components. The reliability of information provided to the parent, and monitoring activity conducted by the parent, is also critical to evaluating the risk of omission. The extent of audit work required, to be confident that a component can be assessed as non-significant, needs better guidance.
84.	JGrant	See response to GA7(a)
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA7. Responding to Identified Risks of Material Misstatement in a Group Audit (Including Issues Relating to the Group Engagement Team's Involvement in the Consolidation Process)

(b) Specifically:

- (iii) Should the standard be strengthened for the group engagement team to be more involved at the sub-consolidation level in the appropriate circumstances? Are there further issues or practical challenges that have not been considered?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]

★ Responded to Overview questions of the ITC

11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	<p><i>Risk assessment and responses to risks</i></p> <p>37. We agree that risks identified at component level should be taken into account at group level [ITC §253(b)]. However, this should be an explicit requirement as opposed to application material in the standard. Moreover, we would like to draw the IAASB's attention to the additional need for the group engagement team to further ensure that appropriate procedures to cover the risks identified at component level are effectively implemented by the group engagement team or the component auditor.</p>
17.	IOSCO	<p><i>Issues relating to the Group Engagement Team's Involvement in the Consolidation Process</i></p> <p>We generally agree with the issues identified by the Board as they relate to the group engagement team's involvement in the consolidation process, and the possible actions to address the issues.</p> <p>We note that ISA 600 does not directly address cases in which (i) a significant sub-consolidation is undertaken in a jurisdiction other than where the group engagement team is based, or (ii) the group consolidation is undertaken in a jurisdiction other than where the group engagement team is based. The latter scenario does not appear to be identified by the Paper. In both cases, it is unclear what level of involvement is required on the consolidation and/or sub-consolidation process by the group engagement team in paragraphs 32-37 of ISA 600 particularly in the case where audit work is performed by a component auditor. The requirements in ISA 600 should be clarified in this respect.</p> <p>If the component auditor is instructed to perform audit procedures on the consolidation or sub-consolidation process, the requirements in the standard should be clear as to the group engagement team's required level of involvement and be strengthened such that appropriate communications between the group engagement team and the component auditor occur, and are sufficiently documented.</p>
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	See response to GA7(a)

National Auditing Standard Setters		
21.	AUASB	Nothing further noted.
22.	CAASB	See response to GA7(a)
23.	CNCC- CSOEC	See response to GA7(a)
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	We agree that the standard should be strengthened in regard to group engagement team to involvement at the sub-consolidation level. However there may be practical challenges, e.g., access considerations etc. which the IAASB will need to recognize, since ISA 600 should not require what may not be possible in practice.
26.	JICPA	Please see our comment on GA(a) above.
27.	MAASB	It is important to note that for large group audit engagements, it will be impracticable for the group engagement partner to be involved across the entire spectrum of group sub-consolidations. The group engagement team needs to necessarily have an understanding of the group structure and sub-consolidation process but the quality of work at the sub-consolidation level is best addressed through the engagement partner in the jurisdiction in which that consolidation is taking place. However, the group engagement partner should still be responsible for the consolidated financial statements and for all aspects of audit quality control. The concept of “delegated quality control” may not be favourably looked upon by regulators. It also defeats the purpose of naming the audit partner as per ISA 700.
28.	NBA	--
29.	NZAuASB	The NZAuASB does not consider any further action is required.
Accounting Firms		
30.	BDO	See our earlier response in GA1(b) with reference to a step-back approach.
31.	CHI	Yes.

32.	DTT	See response to GA7(a)
33.	EYG	<p>We believe that paragraphs 33-37 of ISA 600 that address the required further audit procedures to be performed on the consolidation process are already sufficiently detailed and inherently cover sub-consolidations; however, such requirements do not contemplate the involvement of component auditors in performing the required audit procedures, which is likely the source of differing expectations for the group engagement team's involvement. We believe that clarifications are needed to accommodate component auditor involvement, including related to procedures over sub-consolidations.</p> <p>Practically speaking, a group audit structure may include components that are included in sub-consolidations (and the sub-consolidation work may be performed by a component auditor), or it may include a component that is a sub-consolidation (i.e., one component auditor is assigned to do work for all components within a sub-consolidation, which inherently includes procedures over the sub-consolidation process). The current definition of component does not acknowledge this latter situation explicitly, and we believe the IAASB should give consideration to specifically accommodating components at the sub-consolidation level in its definition of component (refer to our response to GA1(d)).</p> <p>To further facilitate the group engagement team appropriately addressing sub-consolidations, it may be useful to provide clarifications in the application material to:</p> <ul style="list-style-type: none"> ▶ Explain that sub-consolidations may represent a risk of material misstatement and that the group engagement team should include in its understanding of the financial reporting process at which level consolidations are performed ▶ Acknowledge that when sub-consolidations are addressed by component auditors, the instructions to those auditors specifically include the performance of the required procedures on the sub-consolidation process <p>Also, we support the proposed actions in paragraph 288 of the ITC to:</p> <ul style="list-style-type: none"> ▶ Remove the reference to the cost method of accounting in the description of the consolidation process, as we agree that investments of this nature should not be considered components for the purposes of ISA 600 ▶ Clarify that financial statements that only include investments accounted for at fair value or using the cost method of accounting are not considered group financial statements for the purposes of ISA 600
34.	GTI	See response to GA7(a)
35.	KPMG	<p>Identifying and Assessing the Risks of Material Misstatement in a Group Audit (GA 5 and GA 7)</p> <p>We support the suggestion to reinforce that the auditor's understanding of the risks of material misstatement builds upon the requirements in ISA 315 (Revised), and that the responses to the assessed risks of material misstatement are to be framed in terms of ISA 330. This clearer linkage will help group auditors to address risk more effectively and to use component auditors in a more focused way. In this regard we refer also to our comments above regarding moving away from a prescriptive standard that is based on a structural approach, to a principles-based standard that focuses on involvement of another auditor.</p> <p>As part of this, we encourage the IAASB to reconsider the binary terminology of "significant" and "non-significant" components. Instead, as we highlight above, we recommend that the standard build on the current approach to give greater emphasis to consideration as to where risks may arise, and the most appropriate approach to respond to such risks. The current approach set out in extant ISA 600 may result in</p>

		group engagement teams focusing on coverage of account balances, or excluding certain components altogether on the basis that these may be categorised as non-significant, which we do not believe is the underlying intention of the ISA.
36.	PwC	<p>With regard to consolidation, it will be important to recognise that potentially complex group structures will make it difficult for the group engagement team to be closely involved in all 'sub-consolidations'. For very large group audit engagements it will be impracticable for the group engagement partner to be involved across the entire spectrum of group sub-consolidations. Consistent with our principle, and further to our previous comments, we believe standards should acknowledge that audit quality may best be enhanced by responsibility for aspects of the engagement resting with those best placed to influence it. That principle would apply to sub-consolidations. The group engagement team necessarily needs to have an understanding of the group structure and sub-consolidation process but the quality of work at the sub-consolidation level is best addressed through the partner in the jurisdiction in which consolidation is taking place.</p> <p>Similar considerations apply to engagements where the overall group engagement partner is located in a different jurisdiction from where the group entity management resides, for the reasons previously discussed. In such situations, audit quality over the consolidation may best be enhanced by the partner in the other jurisdiction being responsible for that aspect of the engagement.</p>
37.	RBI	--
38.	RSM	None.
39.	SRA	--
Public Sector Organizations		
40.	AGC	--
41.	AGSA	Yes, for reasons as explained above
42.	GAO	See response to GA7(a)
43.	INTOSAI	--
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]

46.	ACCA	See response to GA7(a)
47.	AIC	--
48.	AICPA	See response to GA7(a)
49.	APESB	--
50.	CAANZ	See above.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	We support strengthening of ISA 600 with respect to the group audit team's involvement in the sub-consolidation process, whilst still allowing flexibility in the level of involvement based on the specific circumstances. We note that access issued may hinder this involvement.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	See response to GA7(a)
58.	★ FACPCE	--
59.	FEE	(196) We recognise that there are many factors which may affect the appropriate level of involvement of the group engagement team in sub-consolidations. The approach to be applied should be as principles-based as possible to adapt to any circumstances, and indeed perhaps the existing requirements are too inflexible in this regard. It is necessary to consider what guidance and in particular what practical documentation should be included in the standard or outside the standard so as to improve the fact that sub-consolidations are missing in principle.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	--

★ Responded to Overview questions of the ITC

63.	IRE-IBR	(131) We recognize that there are many factors which may affect the appropriate level of involvement of the group engagement team in sub-consolidations. The approach to be applied should be as principles-based as possible to cater any circumstances.
64.	ICAEW	See response to GA7(a)
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	See response to GA7(a)
67.	ICAZ	--
68.	ICPAK	--
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	We believe it would be necessary to conduct a review to strengthen the responsibility of the group engagement team to be more involved at the sub-consolidation level. Strengthening the responsibility of the group engagement team to be more involved at the sub-consolidation level, however, could result in the duplication of works with the component auditor involved at the sub-consolidation level, thereby creating disruptions when performing other more significant audit procedures, as we consider. Thus, we think it would be more important for IAASB to clarify and specify requirements as to the scope and extent of the group engagement team's involvement at the sub-consolidation level.
73.	MICPA	--
74.	SAICA	165. 57.1% of survey respondents indicated that they would not support the strengthening of the standard for the group engagement team to be more involved at the sub-consolidation level in the appropriate circumstances. Responses are divided, and therefore we are of the view that the IAASB should consider how the matter of involvement at sub-consolidation level could rather be addressed in terms of ensuring an appropriate response to identified risks of material misstatement at the group level.
75.	SMPC	See response to GA7(a)
76.	WPK	[See p. 5 of comment letter]

★ Responded to Overview questions of the ITC

Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	No further comments
84.	JGrant	See response to GA7(a)
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA7. Responding to Identified Risks of Material Misstatement in a Group Audit (Including Issues Relating to the Group Engagement Team's Involvement in the Consolidation Process)**(b) Specifically:**

- (iv) Should the requirements or application material relating to subsequent event procedures be strengthened or clarified? Are there further issues or practical challenges that have not been considered?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]

★ Responded to Overview questions of the ITC

11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	<p><i>Risk assessment and responses to risks</i></p> <p>37. We agree that risks identified at component level should be taken into account at group level [ITC §253(b)]. However, this should be an explicit requirement as opposed to application material in the standard. Moreover, we would like to draw the IAASB's attention to the additional need for the group engagement team to further ensure that appropriate procedures to cover the risks identified at component level are effectively implemented by the group engagement team or the component auditor.</p>
17.	IOSCO	<p><i>Issues Related to Subsequent Event Procedures</i></p> <p>While we are of the view that the requirements relating to subsequent events in paragraphs 38 and 39 of ISA 600 are sufficiently clear, we agree with the IAASB that it would be an improvement to ISA 600 to provide application material in ISA 600 to emphasize that in respect of the component, the onus is on the group engagement team to either directly perform subsequent event procedures at the component, or instruct the component auditor to do so, clearly communicating the expected procedures, and relevant dates. The group engagement team should retain adequate documentation of the instructions communicated, procedures that were performed, and the results thereof.</p>
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	See response to GA7(a)
National Auditing Standard Setters		
21.	AUASB	The view of the AUASB is that there are more pressing group audit matters that require attention before subsequent events, this is seen to be low priority.
22.	CAASB	See response to GA7(a)

23.	CNCC-CSOEC	See response to GA7(a)
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	We agree that it would be appropriate for the requirements or application material relating to subsequent event procedures to be strengthened or clarified.
26.	JICPA	Please see our comment on GA(a) above.
27.	MAASB	We are of the view that the existing requirements in the ISA are appropriate. In the event that a separate section of the ISA is developed addressing requirements for component auditors, such a section can include an appropriate requirement that mirrors the intent of the existing requirements that are drafted in the context of the group engagement team's requests of component auditors. The identification of any subsequent events is a key element of the two-way communication between the group engagement team and component auditors and drawing further attention to this in the communications section of the ISA would be appropriate.
28.	NBA	--
29.	NZAuASB	The NZAuASB does not consider any further action is required.
Accounting Firms		
30.	BDO	We support further guidance relating to subsequent events procedures. In addition, we would support further clarity and supporting implementation materials regarding areas such as the determination of component materiality and identification of risks at the component level affecting the group and potential consideration of creating two ISAs—one focused on group auditors and one focused on component auditors.
31.	CHI	Yes.
32.	DTT	See response to GA7(a)
33.	EYG	We do not oppose clarifications to the requirements or application material relating to subsequent events procedures. In our experience, this has not been a prevalent issue in practice.
34.	GTI	See response to GA7(a)
35.	KPMG	Identifying and Assessing the Risks of Material Misstatement in a Group Audit (GA 5 and GA 7)

		<p>We support the suggestion to reinforce that the auditor's understanding of the risks of material misstatement builds upon the requirements in ISA 315 (Revised), and that the responses to the assessed risks of material misstatement are to be framed in terms of ISA 330. This clearer linkage will help group auditors to address risk more effectively and to use component auditors in a more focused way. In this regard we refer also to our comments above regarding moving away from a prescriptive standard that is based on a structural approach, to a principles-based standard that focuses on involvement of another auditor.</p> <p>As part of this, we encourage the IAASB to reconsider the binary terminology of "significant" and "non-significant" components. Instead, as we highlight above, we recommend that the standard build on the current approach to give greater emphasis to consideration as to where risks may arise, and the most appropriate approach to respond to such risks. The current approach set out in extant ISA 600 may result in group engagement teams focusing on coverage of account balances, or excluding certain components altogether on the basis that these may be categorised as non-significant, which we do not believe is the underlying intention of the ISA.</p>
36.	PwC	<p>We believe the existing requirements in the ISA are appropriate. In the event that a separate section of the ISA is developed addressing requirements for component auditors, such a section can include an appropriate requirement that mirrors the intent of the existing requirements that are drafted in the context of the group engagement team's requests of component auditors.</p> <p>The identification of any subsequent events is a key element of the two-way communication between the group engagement team and component auditors and drawing further attention to this in the communications section of the ISA would be appropriate.</p>
37.	RBI	--
38.	RSM	There may be some merit in enhancing the guidance where up-to-date information is difficult to obtain due to group management not having control over group entities.
39.	SRA	--
Public Sector Organizations		
40.	AGC	--
41.	AGSA	<p>The timing of auditor's report on the consolidated financial statements differs from the timing of the reports on the subsidiaries/ components. The requirements relating to subsequent events after the date of the auditor's report on the subsidiaries are therefore different to the requirements for the consolidation before the report is signed. It could therefore be clarified whether the component auditor has additional responsibilities after the date of the component auditor's report until the report on the consolidated financial statements is finalised.</p> <p>More emphasis through examples could assist.</p>
42.	GAO	See response to GA7(a)
43.	INTOSAI	--

Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	See response to GA7(a)
47.	AIC	--
48.	AICPA	See response to GA7(a)
49.	APESB	--
50.	CAANZ	See above.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	Whilst we do not consider subsequent events in a group audit to be a high priority, we do not oppose this matter being clarified as listed in GA7(a)(i).
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	See response to GA7(a)
58.	★ FACPCE	--
59.	FEE	(197) Yes, it will be useful to develop the application material in relation to subsequent events procedures. Timing issues should be acknowledged, some of which may be anticipated but still may be practically difficult due to the large number of components and others that may be unforeseen, e.g. due to a delay in audit sign-off. The answer to both of these is principles-based guidance dependent on individual facts and circumstances. To this end, it is important to note that procedures around the subsequent events procedures need to be flexible enough so that the group engagement time has sufficient time to carry out its review properly.

★ Responded to Overview questions of the ITC

60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	--
63.	IRE-IBR	(132) It is important to note that procedures around the subsequent events procedures need to be flexible enough so that the group engagement time has sufficient time to carry out its review properly.
64.	ICAEW	See response to GA7(a)
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	See response to GA7(a)
67.	ICAZ	--
68.	ICPAK	--
69.	★ICPAU	--
70.	★INCPC	--
71.	ISCA	--
72.	KICPA	As for the requirements relating to subsequent event procedures, we believe the current ones are sufficiently clarified, making no need for strengthening the current requirements or application material. When it comes to issues raised by regulators that the group engagement team has not adequately evaluated the work of component auditors in relation to subsequent events, it would be effective to respond to the issues with the provision of non-authoritative guidance.
73.	MICPA	--
74.	SAICA	166. 55.6% of survey respondents indicated that they do not think that the requirements or application material relating to subsequent event procedures should be strengthened or clarified (not a conclusive response). 167. Survey respondents who indicated that the standard should be strengthened or clarified cited that subsequent events can change significantly over a short period of time at the entity, industry, country and international level and so constant review is necessary and hence the need to ensure that this is done by strengthening or clarifying the requirements and application material in the standard.
75.	SMPC	See response to GA7(a)
76.	WPK	[See p. 5 of comment letter]

Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	Subsequent events guidance has been adequate; no particular issues have been observed.
84.	JGrant	See response to GA7(a)
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA8. Review and Evaluation of the Work of Component Auditors by the Group Engagement Team

(a) Paragraphs 293–303 set out matters relating to the review and evaluation of the work of component auditors by the group engagement team.

- (i) Which of the actions outlined in paragraphs 299 and 303 would be most meaningful in addressing issues relating to the review and evaluation of the work of component auditors by the group engagement team?
- (ii) Why do you believe these actions are necessary?
- (iii) Are there other relevant issues that we should consider, or actions that would be more effective than those described? If you would not support a particular action, please explain why.
- (iv) Please also describe any potential consequences of those actions that you believe we need to consider further

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--

★ Responded to Overview questions of the ITC

Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	<p><i>Group engagement team involvement in the component auditor's work</i></p> <p>38. We encourage the IAASB to develop a robust framework for determining the scope of work with respect to components and extent of involvement of the group auditor in the work performed by others, in particular component auditors. The possible actions set out in the ITC regarding the auditor's response to identified risks of material misstatement, and more specifically the audit procedures performed on the component's financial information, include a proposed revision to the approach to work to be performed on the component's financial information for group audit purposes and a suggestion to move towards a more flexible approach [ITC §272-273 and 279]. We would like to draw the IAASB's attention to the fact that a flexible approach that is not well defined could be unclear to auditors and may result in an inappropriately determined scope of audit procedures to be performed at component level. We invite the IAASB to consider the broader implications and unintended consequences that a more flexible approach might have.</p> <p>39. We believe the IAASB should provide additional clarity on the work effort required by the group auditor in evaluating the work performed by component auditors. In particular, we believe the group auditor should determine the necessary extent of review of the work performed by and the related working papers of component auditors and whether the necessary access to component auditors' working papers will be available.</p> <p><i>Specific documentation requirements [p. 8]</i></p> <p>41. The ITC refers to the possibility of increasing the documentation requirements in certain areas of the group audit [for example ITC §303]. We see a benefit in emphasizing the importance of audit documentation on critical audit areas either in ISA 600 or in ISA 230.</p>

17.	IOSCO	<p><i>Review & Evaluation of the Work of Component Auditors by the Group Engagement Team</i></p> <p>We agree with the issues identified in paragraph 296 of the Paper, and underlying concepts behind the suggestions in paragraph 299 of the Paper to enhance the requirements in paragraph 42(b) of ISA 600, including the related application material to clarify the necessary work effort of the group engagement team in relation to reviewing the component auditor's working papers, and to strengthen the documentation requirements regarding the group engagement team's evaluation of the component auditors' communication, including the nature of any review of documentation that was performed by the group engagement team. In this regard, we also agree that a direct linkage in ISA 600 to the requirements in ISA 230 would be useful. However, we do not think the issues or possible actions have been described in sufficient granularity in the Paper, thus making it unclear whether the possible actions would drive behavioral change.</p> <p>Specifically, we believe there should be additional emphasis of the group engagement team's determination of the appropriate level of involvement in the work of the component auditor, and the related documentation of these judgments. While ISA 600 allows flexibility as to the necessary level of involvement in the work of the component auditors by the group engagement team, there is concern that too much focus on flexibility will detract from the group engagement team's ultimate determination of whether the group engagement team's audit file reflects that sufficient and appropriate audit evidence has been obtained to support its opinion.</p> <p>We believe that enhanced principles with supporting application material in ISA 600 are necessary to assist the group engagement team in its determination as to the appropriate level of involvement regarding the work of the component auditor. For example, what are the considerations and circumstances under which it would be appropriate for the group engagement team to conduct a site visit, or review the detailed working papers of a component auditor to ensure sufficient and appropriate audit evidence was obtained by the component auditor to support its conclusions?</p> <p>The group engagement team's audit file must contain documentation that demonstrates the rationale for the group engagement team's judgments in its determination of the appropriate level of involvement in the work of the component auditor, the evaluation of the work performed by the component auditor, and the group engagement team's conclusions of that evaluation. Without this documentation, we do not believe that sufficient and appropriate audit evidence is obtained.</p> <p>In particular, we think that ISA 600 should be supplemented with examples or discussion of how the group engagement team should document determinations as to whether the group engagement team performed a site visit and / or reviewed the work of a component auditor file directly. For example, the discussion could note the importance of the group engagement team's audit file explaining the extent of review of the component auditor's file, including the identification of what underlying work was reviewed (e.g., identify specific internal control tests or audit procedures that were reviewed in the component auditor file). The results of the group engagement team's site visits and / or working paper review file should be documented. Application material could suggest that this include, for example, the subject of the discussions with the component auditor, discussions between the group engagement team and group management, tours of the component's operations, and any other evidence supporting the group engagement team's understanding of the component and the component auditor.</p>
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]

20.	UKFRC	<p>We support the IAASB's proposals to strengthen the requirements and application material in the ISAs regarding review procedures. For example, the IAASB should consider enhancing the application material by highlighting some of the challenges that group engagement teams may face when reviewing the work of a component auditor, and including more specific examples that address some of the practical challenges that may be identified in responses to the ITC.</p> <p>In addition, the AQRT have found cases where the determination of whether it is necessary to review other relevant parts of the component auditor's audit documentation is deferred until the group auditor has evaluated the component auditor's communications. We believe that this determination should take place at the planning stage of the audit. As explained in our response to GA1 above, providing further clarity in ISA 220 about what is meant by 'performance', 'direction', 'supervision' and 'review' and embedding a QMA-EL approach will be the most effective means to enhance audit quality in this regard, and for other matters relating to the review and evaluation of the work of component auditors by the group engagement team.</p> <p>In addition:</p> <ul style="list-style-type: none"> We do not understand the concern behind the statement in the ITC that care will be needed to 'ensure that, all other things being equal, the extent of the review required or expected by the group engagement team does not exceed that which would be undertaken in a non-group audit situation'. However, we believe that under a QMA-EL approach, the group engagement partner (and group engagement team) will adjust their efforts regarding direction, supervision and review according to the level of risk to quality at the group engagement level, regardless of whether the engagement is a group audit engagement or a non-group audit engagement. We support the IAASB's proposal in paragraph 303 of the ITC to strengthen the documentation requirements in ISA 600, but through enhanced links to the requirements in ISA 220 and ISA 230, including ensuring the group engagement team appropriately documents and evaluates communications with component auditors.
National Auditing Standard Setters		
21.	AUASB	<p>(i) In response to concerns raised by the Australian audit regulator, (the Australian Securities and Investments Commission), in its audit inspection programs, the AUASB considers that enhanced application material is required to clarify the extent of the group auditor's involvement in the work of the component auditor (the amount and scope of work needed by the group auditor in relation to the component including the audit evidence needed). Such clarification would likely, result in a better demonstration of the judgements made by the group engagement team as to the appropriateness of their involvement. Enhanced application material would also promote consistency of approach across the mid to smaller tier firms.</p> <p>In addition, application material could be strengthened in relation to documentation requirements regarding the group engagement team's evaluation of the component auditor's communication, including the nature of any review of documentation. The AUASB acknowledges that there is currently a gap between the requirements of ISA 230 and what is feasible in a group audit context. Application material would be helpful in filling the gap.</p> <p>(ii) Nothing further noted.</p> <p>(iii) Nothing further noted.</p>

		(iv) The AUASB shares the view that ISA 600 requires change to keep up with diverse business structures, jurisdictional challenges and practical implementation issues. Such change could be effected through additional requirements (particularly in the areas named in GA1(a)), enhanced or additional application material and could include further illustrative examples.
22.	CAASB	<p>The AASB and our Canadian stakeholders believe the following actions would be:</p> <p>Most meaningful:</p> <ul style="list-style-type: none"> • Strengthening the documentation requirements for importance of documenting significant judgments related to the findings of the component auditors (para. 303, 2nd bullet) – The premise of the audit is to obtain sufficient and appropriate evidence to support the audit opinion. The AASB believes that, while this is happening, documentation can be enhanced in relation to the group auditor’s judgment regarding component auditor’s findings. Time constraints can cause auditors to overlook key decisions or judgments and leave a gap in the documentation. More guidance on what types of significant communications to document and how to document the group auditor’s evaluation of component findings will assist auditors in operationalizing the requirements. <p>Meaningful:</p> <ul style="list-style-type: none"> • Strengthening the communication requirements to emphasize ongoing two-way dialogue (para. 303, 1st bullet) – The AASB believes that, while group auditors may be engaged in regular communications with component auditors, it is often not well documented. On-going communication is vital to execution of an effective group audit. This could be highlighted by enhancing the requirements in ISA 600.
23.	CNCC-CSOEC	<p>ISA 600 allows flexibility as to the necessary level of involvement in the work of the of component auditors by the group engagement team. When reviewing and evaluating the work performed by the component auditor, the group engagement team’s considerations would include whether the audit evidence obtained is sufficient and appropriate in the circumstances and that it supports the group engagement team’s conclusions in accordance with the ISAs.</p> <p>We consider that the IAASB should clarify the concept of “reviewing the Working Papers”.</p> <p>Clarification of the extent of the review of the component auditors’ work should enable a flexible approach to be adapted according to the circumstances and the significance of the component to the group. Facilitating a two-way dialogue will help the group auditor’s understanding of the component’s activities and environment thus resulting in a more efficient and better quality audit.</p> <p>The way in which the group auditor uses the work of component auditors is critical in practice. The greatest area of uncertainty is about whether the group auditor should visit the premises of the component auditors - provided that they are able to do so - or only review their files and send questionnaires. This is an area where illustrative examples of different scenarios are needed. Another area of uncertainty is about whether the group auditor should make copies of the component auditor’s file and how he should manage situations where the WP are prepared in a foreign language that the group auditor does not understand.</p> <p>It is important to consider the timing issues involved when the component auditors provide their ‘memorandum of work performed’, as referred to in ISA 600. If the outcome of the audit of the component is delivered shortly before the sign-off of the group auditor’s report, the group auditor may not be able to take time to step back and consider the implications for the group audit because of time sensitivity.</p> <p>Correspondingly, because it is difficult to exercise a sound professional judgement and consider these implications for the group audit as a whole, it is important to emphasise the fact that it would be appropriate for staff with seniority to review the memorandum rather than more</p>

		<p>junior staff. Lastly, it should be clarified that a memorandum should not be perceived as a substitute to the review of the component auditor's work.</p> <p>We also need to acknowledge that there is an actual problem for regulators when it comes to the visibility of the working papers of component auditors. For that reason, ISA 600 should emphasise that the group auditor needs to evaluate whether enough information has been obtained to constitute sufficient appropriate audit evidence.</p> <p>The group auditor faces serious difficulties in cases where it is impossible to receive working papers from the component auditors, and especially when some authorities prohibit any access to the working papers because of jurisdictional restrictions. In such cases, the group auditor should use judgement to determine the best way to review the component auditors' work. This challenge could be mitigated to the extent the standards could help to bring that rationale out, while being prudent not to have an undesired prescriptive list.</p> <p>ISA 600 can only highlight further the need for proper documentation, but when component auditors are based in different jurisdictions, with differing laws and regulations, obtaining certain documentation for the group auditor could also be very difficult in practice.</p> <p>When considering these issues, and how these can be addressed, we should be careful not to end up in an opposite impractical situation of expecting from the group auditors to review all the working papers of the component auditors. The importance is for the group auditor to demonstrate how sufficient audit evidence has been obtained in cases where it was not feasible to review the working papers in practical terms.</p>
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	<p>We comment on the possible actions identified in paragraph 299 as follows:</p> <ul style="list-style-type: none"> • We agree that it would be helpful to clarify the extent of the group engagement team's review of component auditors' work. We believe that it is essential for the IAASB to ensure that the extent of such review does not exceed that undertaken in a non-group audit engagement. • We agree that clarification of documentation pertaining to communication between the group auditor and the component auditor, including review of the latter's work would be helpful. <p>We comment on the possible actions identified in paragraph 303 as follows:</p> <ul style="list-style-type: none"> • We agree that it would be helpful to strengthen the required communication between the group engagement team and component auditor. • We agree that clarification of the group auditor's documentation pertaining to findings from the component auditor's work would be helpful.
26.	JICPA	<p>We believe that "strengthening the communication requirements between the group engagement team and the component auditors and emphasizing the importance of ongoing two-way dialogue (paragraph 303, the first bullet)" would be the most meaningful action. Please see our comment on GA3.</p>
27.	MAASB	<p>(i&ii) We consider the most meaningful action to address are:</p> <ul style="list-style-type: none"> • Strengthening the communication requirements between the group engagement team and the component auditors and emphasizing the importance of ongoing two-way communications; and

		<ul style="list-style-type: none"> Strengthening the application material to address relevant considerations to be taken into account by a group engagement team in determining the nature and extent of review that is appropriate in the circumstances. <p>Two-way communications play a key role in evidencing appropriate evaluation of the work of component auditors. Strengthening the application material to clarify the necessary work effort of the group engagement team builds on the group engagement team's evaluation of the component auditor, including their competence and adoption of common network policies and procedures designed to support audit quality.</p> <p>(iii) We do not support the explicit requirement mandating that the group engagement team review detailed working papers. Taking into consideration access issues that exist across jurisdictions, we foresee challenges it would pose to auditors to comply with the requirement.</p> <p>(iv) No further matter noted.</p>
28.	NBA	<p>(i) The NBA recognizes that the principle based nature of ISA 600 provides flexibility for the auditor. At the same time the wide range of possibilities of ISA 600 gives room for misinterpretation of the standards since the standard is not detailed enough in certain areas. The necessary work effort of the group audit team in relation to the review of work performed by the component auditor is a well-recognized example.</p> <p>Despite the fact that ISA 600 is a long standard, the application guidance however is not as detailed as needed and therefore needs to be enhanced and/or extended. We agree with the actions outlined in paragraph 299 and 303 but are missing which procedures should be performed or which considerations should be taken into account. We recognize that all group audits are different but with our recommendations below we believe that an adequate balance is maintained between the principle based nature of the standard and the expectations of regulators and audit oversight bodies.</p> <p>(ii) See above.</p> <p>(iii) We propose to provide guidance regarding the procedures to be performed by the group auditor. Since the audit is a risk based process, there needs to focus in the review procedures on audit procedures performed on significant risks of material misstatement. This is in line with ISA 600, A61.</p> <p>To demonstrate that the group auditor has been in the 'driver's seat' in a group audit situation, the group engagement team's involvement and file review, if any, at component auditor work, should take place in time for each phase of Planning & Risk Assessment, Interim and Final.</p> <p>The group auditor should arrange meetings or calls with all the relevant component auditors. Specialists could also be part of the group engagement team.</p> <p>The depth of the review procedures to be performed should depend, amongst others, on the following considerations, which need to be documented in the group audit file:</p> <ul style="list-style-type: none"> The significance of the component for the group financial statements The risk profile of the component for the group financial statements The quality of the component auditor, including any EQC review that has taken place (ISA 600.19) The results of internal quality inspections relating to the component auditor The time that has passed since the last detailed review of the audit work of the component auditor.

		<p>Considerations which need to be addressed and documented when reviewing the work of the component auditor might consist of the following:</p> <ul style="list-style-type: none"> • Is the mix between controls testing and substantive testing sufficient to mitigate the risk of material misstatement? During the review the component auditor has to demonstrate that the relevant assertions are covered by the procedures performed. • Are the sample sizes used acceptable? • Are analytical procedures performed in line with ISA 520? • Has the component auditor assessed the reliability of the output of system-generated data? • Are procedures performed relating to accounting estimates in line with ISA 540? • Are deficiencies identified during controls testing (including ITGC) sufficiently mitigated by the substantive procedures performed? • Are the procedures performed relating to management experts and auditors experts in line with ISA 500.8 and ISA 620? • Are there any specific remarks relating to ISA 240 and ISA 250? <p>In our view, in general there is no need to include working papers of the component auditor into the group audit file. The documentation of the review procedures performed by the group auditor should provide sufficient comfort that the procedures performed by the component auditor were sufficient to mitigate the risk of material misstatement on group level.</p> <p>(iv) Not applicable.</p>
29.	NZAuASB	<p>(i) The NZAuASB considers that the most meaningful action to address is to clarify the necessary work effort of the group engagement team in relation to reviewing the component auditor's working papers.</p> <p>(ii) This action is necessary because there is not much guidance in ISA 600 relating to the requirement to determine whether it is necessary to review other relevant parts of the component auditor's working papers. Some examples of what working papers to review under various circumstances would be helpful.</p> <p>(iii) The NZAuASB has not identified any other actions to consider. A consistent view expressed by constituents is that there is a scope for application guidance, but not new requirements.</p> <p>(iv) The cost of compliance with increased requirements versus a possible increase in audit quality needs to be carefully considered.</p>
Accounting Firms		
30.	BDO	<p>(i) We support the majority of recommendations outlined in paragraph 299 and 300, particularly:</p> <ul style="list-style-type: none"> • the suggestion of providing further guidance as to how group engagement teams can demonstrate the judgments they have made and the application of professional skepticism in a group audit context, and • the potential for an improved communication process highlighted by the IAASB earlier in the ITC (the so-called 'feedback loop'). <p>We recommend that when further considering the implications of paragraph 299 that the IAASB avoids being too prescriptive as to the nature, extent and timing of the work performed during the review of a component auditor's working papers by the group engagement team. Group engagement teams should be provided with examples of what to consider rather than inflexible</p>

		<p>requirements that may not relate to the specific professional judgments and circumstances that exist in any particular group engagement scenario.</p> <p>(ii) See our response to GA8 (a) (i).</p> <p>(iii) A further area of consideration by the IAASB could be the minimum review procedures to be performed by the group engagement team in respect of the work performed by the component auditor. As the audit should be a risk-based process, there could be more emphasis on the review procedures of the group engagement team being primarily focused on those audit procedures performed on significant RMMs (as per ISA 600, A61).</p> <p>In our view, the minimum procedures could include reviewing the planned procedures of the component auditor, including drawing an explicit conclusion as to whether the planned audit approach is sufficient to mitigate the significant RMMs as agreed with the component auditor.</p> <p>An important area to emphasize could also be for the group engagement team to demonstrate timely involvement in the work performed by the component auditor – for example by ensuring that the group engagement team reviews the component auditor's planned procedures before the start of field work.</p> <p>The depth of the review procedures to be performed by the group engagement team could be based on considerations such as:</p> <ul style="list-style-type: none"> • The significance of the component to the group financial statements. • The risk profile of the component and impact on group financial statements. • The quality of the component auditor, including any EQC Review that has taken place (ISA 600.19). • The results of internal and external quality inspections relating to the component auditor. <p>Additional considerations or areas of supplementary information that the IAASB could consider to address the nature and extent of review work to be performed by the group engagement team on the component auditor (i.e. minimal procedures), might also include whether:</p> <ul style="list-style-type: none"> • The mix of controls testing and substantive testing is sufficient to mitigate the risks of material misstatement. • Procedures have been performed in accordance with the relevant ISA requirements (for example, analytical review procedures (ISA 520), accounting estimates (ISA 540), use of management experts (ISA 500, paragraph 8) and auditor's experts (ISA 620). • The component auditor has assessed the reliability of information produced by the entity (for example, the output of system-generated data). • Deficiencies identified during controls assessment (including IT General Controls) have been appropriately considered on determining the substantive procedures performed by the component auditors. • There are specific issues identified in the component with respect to laws and regulations (ISA 250) and fraud matters (ISA 240). <p>(iv):</p>
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		<ul style="list-style-type: none"> As noted in GA1(d) we would support further consideration and clarification by the IAASB of the extent of documentation required in the group file of work performed by the group auditor on component files. One of the earlier points made in the ITC was the extent to which ISA 600 can be seen as a standalone ISA or whether it would benefit from incorporating aspects of other ISAs that apply specifically to group situations. We believe that there should be cross comparison of ISA 230, Audit Documentation with the documentation requirements of ISA 600. This will help the IAASB determine whether there needs to be further clarity or guidance provided on documentation requirements.
31.	CHI	<p>(i) The actions that would be most meaningful would be to strengthen communication and documentation requirements.</p> <p>(ii) These actions would result in improvements in the practical process of communication between the group auditor and component auditors, and better documentation of the evaluation and review by the group auditor.</p> <p>(iii) We have nothing to add.</p> <p>(iv) We have nothing to add.</p>
32.	DTT	<p>In general DTTL agrees with the suggested actions described in paragraphs 299 and 303 with respect to review of working papers, communication with component auditors, and the documentation requirements of the GET, with the following specific comments:</p> <ul style="list-style-type: none"> DTTL understands the concern that working papers prepared by the component auditors may already have been reviewed by senior members of the component auditor's engagement team, including the engagement partner. Accordingly there may be some duplication if the GET also reviews these working papers. However, DTTL notes that the objective of the GET's review may differ from that of the component auditor's review. One of the additional objectives of the GET's review is to form a view as to whether the work performed is suitable and sufficient for the purposes of the overall group audit and also to consider issues and risks in light of their understanding of the broader group audit. The GET's working papers are sometimes seen as a "window" into the work performed by the component auditors especially in those situations where regulators in the GET's jurisdiction have no ability to inspect the working papers of the component auditors. This results in differing interpretations by regulators in different jurisdictions regarding what is considered to be a sufficient level of documentation in the GET's working papers necessary to demonstrate that the component auditors have performed appropriate work for the purposes of the group audit. DTTL believes additional guidance in this area would be beneficial as it would increase the certainty and consistency of the expected content of the GET's documentation. <p>The response to QC 4 is also relevant to this question in the context of work performed by component auditors within the same network or firm as the group auditor.</p>
33.	EYG	<p>Evaluating the communications from the component auditors and the adequacy of their work</p> <p>The evaluation of the communications from the component auditors begins with clear requirements for the required communications to be requested from the component auditors (paragraph 41 of ISA 600). As we expressed in our response to GA3, we support the IAASB exploring whether to supplement the lists of required communications with principles for auditors to follow in determining appropriate timing, nature and extent of communication between the group engagement team and component auditors (and vice versa).</p> <p>Consistent with our view of applying an integrated risk-based approach to ISA 600, we believe any enhancements to requirements related to reviewing component auditor's working papers should include setting forth principles or objectives for a risk-based approach to these reviews. These principles should also reflect consideration of the information obtained from the component auditor through the</p>

		<p>communications and involvement in their work that the group engagement team has had to date (i.e., the group engagement team's consideration of the extent of review necessary should not be independent of its decisions around the level of communication and involvement with the component auditors – all should be driven by the risks of material misstatement of the group financial statement that the particular component presents or includes).</p> <p>We also support these principles taking into account the fact that the work of the component auditor may have been reviewed by the engagement partner of the component auditor. We would further stress the need for the group engagement team to understand whether, and to what extent, ISA 220 has been complied with at the component level. And, the evidence of such compliance should be inherent (or otherwise explicit) in the form of opinion or conclusion that is provided to the group engagement team by the component auditors. For example, if the component auditor performs an audit of the financial information of the component, we expect that the basis for the component auditor's expression of an opinion that reasonable assurance has been obtained that the financial information of the component auditor is not materially misstated includes compliance with the relevant ISAs, including ISA 220.</p> <p>In summary, the group engagement team should determine the appropriate approach to their reviews by taking into account:</p> <ul style="list-style-type: none"> ▶ The group engagement team's understanding of the competence and capabilities of the component auditor ▶ The form of conclusion received from the component auditor, including whether ISA 220 was applied ▶ The risks related to the audit areas and work performed by the component auditor and related dialogue to date about these risks between the group engagement team and the component auditor ▶ The amount of involvement of the group engagement team in the component auditor's work <p>The application of this approach should be such that the group engagement team may continue to come to the conclusion that the review of underlying component auditor working papers is not necessary when the risks of material misstatement of the group financial statements have been addressed through a combination of the above factors.</p> <p>We agree with the development of supporting application material to:</p> <ul style="list-style-type: none"> ▶ Provide examples of circumstances when reviews of component auditor's documentation by the group engagement team would be appropriate ▶ Clarify the nature and extent of procedures that the group engagement team performs as part of the review to understand the extent and quality of the procedures performed by the component auditors <p>Group engagement team documentation of the evaluation of the component auditor's work</p> <p>We agree that ISA 600 needs to facilitate a common understanding as to how group engagement teams document their evaluation of component auditors' work. As a matter of principle, we believe that a balance must be obtained in the documentation requirements such that the group engagement team's significant judgments in performing their evaluations are appropriately captured without imposing the need for supporting details that may be impractical or unreasonably onerous to document, especially for the largest group audits that have many components. We believe that the following actions may assist:</p> <ul style="list-style-type: none"> ▶ Considering the nature and extent of documentation necessary by the group engagement team to support its evaluation in the circumstances when the work of the component auditor has been reviewed by the engagement partner of that component auditor (taking into consideration our related comments above) ▶ Clarifying the existing requirement in, or providing further application material to, paragraph 50(b) of ISA 600 (which requires the group engagement team to document their review of relevant parts of the component auditor's audit documentation) to address the
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		<p>nature and extent of this documentation, especially when these underlying working papers are not transferable to, or included in, the audit file of the group engagement team</p> <ul style="list-style-type: none"> ► Emphasizing the need for the group engagement team to appropriately document their significant judgments related to the findings of the component auditors (e.g., in the circumstances when the group engagement team considers whether a significant finding from one component may indicate risk that the same finding or issue is present in other components) ► Adding linkages to appropriate requirements in ISA 230
34.	GTI	<p>We do not believe that strengthening the requirement in paragraph 42 (b) to make a determination as to whether it is necessary to review other relevant parts of the component auditors documentation is necessary, however, we do believe that further guidance on the matters that the group auditor should take into consideration when making this determination would be helpful.</p> <p>Also, see response to GA 3 on communications between the group and component auditors and GA 4 on using the work of component auditors.</p> <p>We note that ISA 600 does not contain any guidance on how to apply the concept of sufficient appropriate audit evidence required by ISA 500, Audit Evidence. Many of the concepts discussed in ISA 500 around the sufficiency and the appropriateness of audit evidence are difficult to apply in a group situation, especially where the work is being performed by another (component) auditor.</p> <p>Of further consideration, when assessing whether sufficient appropriate audit evidence has been obtained in order to support the group auditor's opinion, it should be noted, that there is currently an inconsistency in what constitutes such evidence. For example, an audited set of financial statements may provide strong audit evidence when opining on an investment accounted for in accordance with the equity method of accounting and where access to the component is restricted. However, this would not be considered sufficient appropriate audit evidence in other group situations. We believe that potential updates to ISA 600 should result in consistency of conclusions when considering the sufficiency of similar types of evidence.</p> <p>We agree with the strengthening of the documentation requirements in ISA 600 in respect of the review of the component auditor's work, and in particular the documentation of significant judgments made by the group auditor based on the review of the findings of the component auditor. For example, whether findings at a specific component will have broader implications for the other components within the group or for the group as a whole.</p>
35.	KPMG	See response to GA4(a)
36.	PwC	<p>(i) We do not believe the ISA should be unduly prescriptive in this area. Engagements and components vary in their size and nature. In addition, component auditors may come from within or outside a firm's network.</p> <p>We believe application material can address the relevant considerations to be taken into account by a group engagement team in determining the nature and extent of review that is appropriate in the circumstances. This necessarily builds on the group engagement team's evaluation of the component auditor, including their competence and adoption of common network policies and procedures designed to support audit quality.</p> <p>As we have reiterated, when designed and operating effectively, common network policies, methodology, technology, training and quality review, processes, are relevant factors that can, where appropriately evidenced, reduce the nature and extent of group engagement team involvement in the work of component auditors within the same network. Thus, the ISA should reflect the</p>

		<p>spectrum of involvement of the group engagement team that may be necessary in the circumstances, based on professional judgement (supported by appropriate guidance).</p> <p>Timely and detailed two-way communications also play a key role in evidencing appropriate evaluation of the work of component auditors. Consistent with our response to question GA3 we therefore support emphasising considerations relating to effective communications.</p> <p>(ii) See response to point (i).</p> <p>(iii) We would not support an explicit requirement mandating that the group engagement team review detailed working papers for the reasons described in point (i) above.</p> <p>(iv) No further comments.</p>
37.	RBI	--
38.	RSM	<p>(i) We agree with the actions listed in paragraphs 293 to 303. In particular, enhancing the clarity of guidance with regard to the extent of documentation required.</p> <p>(ii) We believe the current guidance does not extend that given in ISA 230 sufficiently to the context of a group.</p> <p>(iii) None.</p> <p>(iv) None.</p>
39.	SRA	--
Public Sector Organizations		
40.	AGC	Of the actions outlined in the above noted paragraphs, we believe the most meaningful action to be strengthening the requirement in paragraph 42(b) of ISA 600, and the related application material, to clarify the necessary work effort of the group engagement team in relation to reviewing the component auditor's working papers.
41.	AGSA	<p>(i) Strengthening the documentation requirements for the group engagement team, emphasizing the importance of appropriately documenting significant judgments relating to the findings of the component would be most meaningful in addressing issues relating to the review and evaluation of the work of component auditors by the group engagement team.</p> <p>There may be adequate ongoing two-way communication between the group and component auditors. However, the extent of the group auditors in the work performed by the components and the continuous communication/ meeting held with the component auditors may not be adequately documented in the group auditors audit file. The group auditors may be uncertain regarding the nature and extent of documentation that would be considered sufficient.</p> <p>Clear documentation requirements would provide clarity to the auditors on how to demonstrate how they appropriately applied professional judgments and professional scepticisms during the planning, execution and conclusion stages as well as in relation to the evaluation of the findings of the component auditors. This would also assist them in demonstrating how they have applied their</p>

		<p>professional scepticisms in determining if enough appropriate evidence was obtained by the component auditors to support the conclusion in the group audit report.</p> <p>Clarity should also be provided by the IAASB relating to situations where other auditors are involved in an engagement that is not an audit of group financial statements. The engagement team may be uncertain relating to the documentation required to demonstrate adequate involvement and appropriate application of professional judgments and professional scepticisms during the audit. ISA 600 may not fully apply in this situation resulting in confusion during the audit regarding the documentation requirements and the appropriate application.</p> <p>(ii) This action is necessary as the guidance provided in ISA 600 par 50 relating to the documentation requirements is very broad. Reference is made in ISA 600 par 50 of ISA 230 par 8-11 and par A6. However, this is not sufficient.</p> <p>The current ISA doesn't adequately provide guidance regarding the documentation requirements relating to demonstrating the appropriate allocation of professional judgement and professional scepticism. Strengthening the requirements and application material will clarify the necessary work effort and what is required to be documented.</p> <p>(iii) For situations where other auditors are involved in an engagement that is not an audit of group financial statements, the IAASB could consider provide further clarity regarding the responsibilities of the engagement partner/ manager and other partners/ manager especially in instances where the engagement partner is not located where the majority of the audit work is performed and a different audit file is prepared by the other auditors.</p> <p>The auditors may also be uncertain as to the extent of the engagement auditor's involvement the risk assessment and planning of the appropriate response to risks identified by the other auditors.</p> <p>IAASB could also consider indicating the documentation requirements that would assist the engagement partner to demonstrate sufficient involvement in the audit work performed by the other auditors.</p> <p>Furthermore, IAASB should evaluate the implication of using the audit report and management report of the other auditors as audit evidence in this situation.</p> <p>(iv) The potential consequences of the abovementioned actions that the IAASB needs to consider further would be:</p> <ul style="list-style-type: none"> • Improved audit quality as engagement partners/ managers would be aware of the audit documentation required. • Improvement in the appropriate application of professional scepticism as the auditors would be provided with guidance relating to the documentation requirements for demonstrating the appropriate application of the concept during the audit. <p>An improvement in the documentation of professional judgement exercise during the audit.</p>
42.	GAO	<p>We support adding information and examples to the application guidance to provide more clarity on when group engagement team review of a component auditor's audit documentation would be appropriate, as well as procedures that the group engagement team would perform as part of the review.</p>
43.	INTOSAI	<p>We support additional information and examples in the application guidance to provide more clarity on when reviews of component auditor's audit documentation by the group engagement team would be appropriate, as well as procedures that the group engagement team would perform as part of the review. In addition, we believe application guidance should be considered for instances where the group auditor is also the component auditor.</p>

Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	We disagree with the suggestion to ‘strengthen documentation requirements’ in paragraphs 299 and 303. With proper evaluation of the competency of the component auditor and well-written instructions, we believe more detailed documentation requirements in respect of the review and evaluation of the component auditor’s work is likely to have limited impact.
47.	AIC	--
48.	AICPA	<p>We support clarifying the standards to allow for consistent application by both practitioners and regulators and audit oversight bodies, who seem to have different interpretations of the extent of documentation required. Additional guidance of what is necessary to meet the requirements of ISA 230 in the context of a group audit would be helpful. As noted above, access issues and jurisdictional privacy laws can limit what the group auditor is permitted to include in the documentation.</p> <p>Concerns have been raised by regulators that the documentation requirements in paragraphs 40 and 41 of ISA 600 are insufficient. We agree with strengthening the requirement to clarify the necessary work effort to review what the component auditor has provided. Just obtaining this information does not seem like sufficient action by the engagement partner. An inspector who looks at both the component audit and group audit would know more than the engagement partner, which is not optimal. We agree that the extent of the review required of the component auditor should not exceed that which would be undertaken in a non-group audit situation.</p>
49.	APESB	--
50.	CAANZ	<p>(i) We believe that the priority should be placed on providing application guidance to assist practitioners to deal with these issues in the wide variety of scenarios which exist in practice rather than in the imposition of additional mandatory requirements.</p> <p>(ii) See above.</p> <p>(iii) No further comments.</p> <p>(iv) Unintended consequences of more prescriptive requirements may include encouraging behavioural traits that focus on compliance and which run counter to the depth of thinking required for a quality audit. Also, there are already over 440 mandatory requirements in auditing standards. The cost of complying with an increased number or with increased prescription in mandatory requirements is not insubstantial. Any potential increase in audit quality would have to justify the cost of compliance. Any potential increase in audit quality also needs to take into effect the cumulative effect of additional mandatory requirements on an auditors’ ability to apply appropriate time and judgement. This may be particularly pertinent to smaller firms of practitioners, sole practitioners or smaller audit engagements.</p>
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--

53.	CIIPA	--
54.	CIMA	--
55.	CPAA	<p>(i) We consider that the most meaningful actions in relation to the review and evaluation of the work of component auditors by the group engagement team, in order of priority, are:</p> <ol style="list-style-type: none"> 1. Requiring documentation of significant judgements about the findings made by a component auditor. 2. Clarifying how the group engagement team understands the extent and quality of procedures performed by the component auditor. 3. Explaining the nature of the review of each component auditor's report. 4. Clarifying how to demonstrate the group engagement team's judgements and application of professional scepticism. <p>(ii) Whilst many of our stakeholders do not see the need for clarification of how group engagement teams review and evaluate the work of component auditors, we consider that the actions above would help to address the issues identified in the ITC and foster consistency in the approach and particularly the documentation of the group engagement team's work with respect to component auditors' reports.</p> <p>(iii) No further issues or actions identified.</p> <p>(iv) No specific consequences identified.</p>
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	We support the actions identified.
58.	★ FACPCE	--
59.	FEE	<p>(198) Bullet point 1 in paragraph 299, to clarify the necessary work effort, and the importance of clear documentation in respect of that work effort, of the engagement team to review the component auditor's working papers.</p> <p>(199) Bullet point 1 in paragraph 303 to strengthen the communication and dialogue between group and component auditors to a two-way exchange.</p> <p>(200) Clarification of the extent of the review of the component auditors' work will enable a flexible approach to be adapted according to the circumstances and the significance of the component to the group. Facilitating a two-way dialogue will help the group auditor's understanding of the component's activities and environment thus resulting in a more efficient and better quality audit.</p> <p>(201) The way in which the group auditor uses the work of component auditors is, in practice, critical. Perhaps the greatest area of uncertainty is whether the group auditor should visit the premises of the component auditors – provided that they are able to do so – or only review their files and send questionnaires. This is an area where illustrative examples of different scenarios are needed.</p>

★ Responded to Overview questions of the ITC

		<p>(202) It is important to consider the timing issues involved when the component auditors provide their “memorandum of work performed”, as referred to in ISA 600. If the outcome of the audit of the component is delivered shortly before the sign-off of the group auditor’s report, the group auditor may not be able to take time to step back and consider the implications for the group audit because of time sensitivity.</p> <p>(203) Correspondingly, because it is difficult to exercise a sound professional judgement and consider these implications for the group audit as a whole, it is important to emphasise the fact that it would be appropriate for staff with seniority to review the memorandum rather than more junior staff. Lastly, it should be clarified that a memorandum should not be perceived as a substitute to the review of the component auditor’s work.</p> <p>(204) We also need to acknowledge that there is an actual problem for regulators when it comes to the visibility of the working papers of component auditors. For that reason, ISA 600 should emphasise that the group auditor needs to evaluate whether enough information has been obtained to constitute appropriate sufficient evidence.</p> <p>(205) The group auditor faces serious difficulties in cases where it is impossible to receive working papers from the component auditors, and especially when some authorities prohibit any access to the working papers because of jurisdictional restrictions. In such cases, carrying out the audit is challenging and the group auditor must use judgement to determine the best way to review the component auditors’ work. Recognising this challenge within the standards could be helpful provided that flexibility and room for judgement is maintained.</p> <p>(206) ISA 600 can only highlight further the need for proper documentation. As noted earlier in our response, the fact that component auditors could be based in different jurisdictions, with differing laws and regulations could be a practical barrier for the group auditor to obtain certain documentation.</p> <p>(207) When considering the visibility issues, and how these can be addressed, we should be careful not to result in an opposite impractical situation of expecting the group auditors to review all the working papers of the component auditors. The importance is for the group auditor to demonstrate how sufficient audit evidence has been obtained in cases where it was not feasible to review the working papers in practical terms.</p>
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	--
63.	IRE-IBR	<p>(133) Bullet point 1 in paragraph 299, to clarify the necessary work effort, and the importance of clear documentation in respect of that work effort, of the engagement team to review the component auditor’s working papers. Clarification of the extent of the review of the component auditors’ work should focus on a flexible, principles-based approach that relies on an effective two-way communication between the group auditor and the component auditors.</p> <p>(134) Bullet point 1 in paragraph 303 to strengthen the communication and dialogue between group and component auditors to a two-way exchange.</p> <p>(135) Clarification of the extent of the review of the component auditors’ work will enable a flexible approach to be adapted according to the circumstances and the significance of the component to the group. Facilitating a two-way dialogue will help the group auditor’s understanding of the component’s activities and environment thus resulting in a more efficient and better quality audit.</p>

		<p>(136) We need to acknowledge that there is an actual problem for regulators when it comes to the visibility of the working papers of component auditors. For that reason, ISA 600 should emphasise that the group auditor needs to evaluate whether enough information has been obtained to have appropriate sufficient evidence.</p> <p>(137) ISA 600 can only highlight further the need for proper documentation. As noted earlier in our response, the fact that component auditors could be based in different jurisdictions, with differing laws and regulations could be a practical barrier for the group auditor to obtain certain documentation.</p>
64.	ICAEW	Strengthening group documentation requirements emphasising the importance of documenting significant judgements, such as considerations regarding findings for one component giving rise to similar risks in others, may be helpful.
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	<p>The way in which the group auditor uses the work of component auditors is, in practice, critical. Perhaps the greatest area of uncertainty is whether the group auditor should visit the premises of the component auditors - provided that they are able to do so - or only review their files and send questionnaires. This is an area where illustrative examples of different scenarios might be helpful.</p> <p>The timing of the work being performed by component auditors is also important and sufficient time should be allocated for the group auditor to review the component auditor's work before he/she is expected to sign the group auditor's report.</p>
67.	ICAZ	--
68.	ICPAK	<p>(i) Strengthening the requirements in paragraph 42 (b) of ISA 600 to clarify the role of the engagement team in relation to reviewing the working papers of the component auditors and the documentation requirements</p> <p>(ii) These actions are necessary because the engagement auditor is ultimately responsible for the audit</p> <p>(iii) No</p> <p>(iv) None</p>
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	<p>(i) We believe improving requirements and application material to clarify the efforts of the group engagement team, in relation with reviewing the work of the component auditor, such as review schedule of their audit documents and review procedures, would be meaningful. We also consider IAASB's emphasis meaningful in that the review scope required and expected to the group engagement team, when all of the other factors are equal, should not exceed that of the engagement partner, if she/he is not</p>

★ Responded to Overview questions of the ITC

		<p>involved in group audits, in addition to that the work of the component auditor should be reviewed by the engagement partner already belonging to the component auditors</p> <p>(ii) There are cases in which what the group engagement team reviewed on the audit documents of the component auditors is not sufficiently documented or the impacts the findings of the component auditors could make on group audits are not fully reflected. The consultation is reviewing several actions in response to regulators' arguments on strengthening documentation of reviewing component auditor's documents of the group engagement team. Considering that the purpose of strengthening the documentation requirements would be eventually designed for improving sufficiency and appropriateness of the group engagement team's review and evaluation, what answered in (i) of GA8 (a) is believed to be in lined with the purpose.</p> <p>(iii) The consultation suggests that requirements be strengthened as to documentation in relation to group auditor's review and evaluation of the work of the component auditor. This is believed to be part of efforts to clarify the works of the group engagement team in relation with the review and evaluation of the work of the component auditor, as outlined in the (i) of GA8 (a). In addition, this could bring about positive impacts of ensuring that the group auditor has not missed out essential audit procedures and of providing a basis that he/she has performed procedures in an appropriate and sufficient manner</p> <p>ISA 230 requires the documentation of the works of auditors, audit evidence and their professional judgments in an appropriate, sufficient and timely manner. It is clear-cut that such principle of ISA 230 is applied to all of ISAs. We believe IAASB needs to sufficiently consider the concern that strengthening the documentation of certain procedures and circumstances or relating certain ones with ISA 230 could create misunderstanding that certain procedures and circumstances, whose documentation is not underscored and related with, show low level of significance, in terms of their documentation, only resulting in undermining the clarity of standards, and ending up with increasing the volume and complexity of standards.</p> <p>(iv) Please refer to answers in (ii) and (iii) of GA8.</p>
73.	MICPA	--
74.	SAICA	<p>168. In terms of indicating which of the possible actions proposed by the IAASB would be most meaningful to address issues related to the review and evaluation of the work of component auditors by the group engagement team, the survey respondents indicated their preference for the following four actions [the most meaningful listed first, from (1) to (4)]:</p> <ol style="list-style-type: none"> (1) Strengthening the requirement in paragraph 42(b) of ISA 600, and the related application material, to clarify the necessary work effort of the group engagement team in relation to reviewing the component auditor's working papers. (2) Strengthening the communication requirements between the group engagement team and the component auditors and emphasizing the importance of ongoing two-way dialogue. (3) Strengthening the documentation requirements for the group engagement team, emphasizing the importance of appropriately documenting significant judgments relating to the findings of the component auditors. (4) Strengthening the documentation requirements regarding the group engagement team's evaluation of the component auditors' communication. <p>169. 92.6% of the survey respondents indicated that they are not aware of other issues that the IAASB should consider relating to this section.</p>

		170. 88.9% of survey respondents indicated that they are not aware of other actions that the IAASB could take to address the issues highlighted in this section of the ITC.
75.	SMPC	We agree with the possible actions to address the issues identified. In particular, emphasizing the importance of ongoing two-way dialogue. In this context we also refer to our response to QC 4(b). There is a risk in a group audit situation that working papers could be subject to excessive reviews or overly detailed reviews at different stages, so as to become disproportionate to the benefits in terms of enhanced audit quality. The IAASB will therefore need to be careful to require reviews of working papers etc. are reasonable taken as a whole.
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	(i) Documenting the group engagement team's evaluation of the component auditor's communication is difficult. Using questionnaires to probe the extent of work done with direct references to the audit work papers reviewed may assist the process. Documenting work done on the consolidation process is also difficult and frequently the auditor will replicate the client's process to determine whether the outcome is reasonable. (ii) No further comment (iii) No further comment (iv) Regulators sometimes seek copies of the component auditor's work papers but this can result in significant duplication. Use of electronic files with remote access available to the parent, sometimes assists the documentation requirement, as it is easy to replicate the component auditor's work papers – which in turn causes problems with version control and confidentiality/security of documents.
84.	JGrant	--
85.	JK	--

86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA9. The Impact of New and Revised Auditing Standards

How should the matters set out in paragraphs 304–305 be addressed in our plans to revise ISA 600? Are there any other implications from our new or revised standards that should be considered?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	We have no specific comment of Qs GA 2 to 9 ; other than users expect to be able to rely on audited accounts regardless of how complex an audit is to organise
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]
11.	EAIG	[see pp. 3 & 4 of comment letter]

★ Responded to Overview questions of the ITC

12.	EBA	[see pp. 9 & 10 of comment letter]
13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	--
17.	IOSCO	[see pp. 13 – 27 of comment letter]
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	No comment Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by the IFIAR.
National Auditing Standard Setters		
21.	AUASB	Application material to assist in effective communication will need to be developed in relation to communication downwards (from group to component auditors) of key audit matters in the auditor's report on the group financial statements and group financial report disclosures as well as upwards (from component to group auditors) in relation to key audit matters and in the auditor's report on the component financial statements (if applicable) and component financial report disclosures (if applicable).
22.	CAASB	<p>Do you believe ISA 600 should add requirements or application material to address relevant considerations about group financial statement disclosures? (para. 304)</p> <p>Yes. The group engagement team should consider the impact of component financial statement information on the disclosures in the group financial statements. Once again, the requirements and application material should highlight how to take a top-down risk based approach to identifying and capturing the appropriate disclosures. Development of more material in ISA 600 will highlight the importance of this and how to apply it.</p> <p>Do you believe ISA 600 should revise requirements or application material to address communication of key audit matters by the group engagement team in the auditor's report? (para. 305)</p> <p>Yes. The audit report on the consolidated financial statements should address any key audit matters coming from a component auditor if the item is significant and has an impact on the group.</p>

23.	CNCC-CSOEC	<p>In relation to the Disclosures project, we do not consider necessary to complicate ISA 600 in this area. The emphasis that all other ISAs apply in addition to ISA 600 when performing a group audit should be enough.</p> <p>As far as it concerns the issue relating to identifying key audit matters in Group audit engagement, we do not consider that the right approach would be to have communications between the group engagement team and the component auditors to determine the key audit matters. We believe that the key audit matters are identified by the group auditor via the matters reported to those charged with governance. What would be more beneficial in the process is for the components auditors to help the group auditor identify what is necessary to be reported to those charged with governance.</p>
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	In regard to disclosures, we do not see a need for further new action by the IAASB. It may be helpful to include a reference to ISA 701, to highlight the necessity to consider matters relevant to auditor reporting of KAM.
26.	JICPA	<p>We believe that the IAASB can explore following in the revision of ISA 600</p> <ul style="list-style-type: none"> ◆ <i>Disclosure</i> The extant ISA 600 does not specifically address disclosures. It would therefore be meaningful to explore how ISA 600 could emphasize the importance of the consideration of disclosures in the risk assessment procedures. ◆ <i>Auditor Reporting – Key Audit Matter</i> Paragraph A16 of ISA 701 explains that the auditor may develop a preliminary view at the planning stage about matters that are likely to be areas of significant auditor attention in the audit and therefore may be key audit matters. Paragraph 41(h) of ISA 600 addresses communication between the component auditor and those charged with governance of the component. Using these concepts, ISA 600 could include guidance to explain that the group audit engagement may communicate the preliminary view about possible KAMs to the component auditor, request the component auditor to communicate such possible KAMs to those charged with governance of the component, and communicate relevant matters to the group audit engagement team.
27.	MAASB	We support the IAASB's proposed action to consider the need to focus on disclosures and communication of Key Audit Matters in the group audit context. The AASB has not identified any other implications from the new and revised standards to be considered.
28.	NBA	--
29.	NZAuASB	The NZAuASB supports the IAASB's proposed action to consider the need to focus on disclosures and the communication of KAM in a group audit context. The NZAuASB has not identified any other implications from the new and revised standards to consider.
Accounting Firms		
30.	BDO	We support the IAASB exploring the need for potentially revised requirements or additional application material in relation to communication of KAM by the group engagement team. The identification and communication of KAM can be highly judgmental, so it will be imperative from a group audit perspective that there is sufficient communication between the group and component auditors on potential KAM (so that

		these are not filtered out by the component auditor prior to the group auditor being able to determine if they should be communicated at the group level). The importance of the 'feedback loop' is critical here.
31.	CHI	A revised ISA 600 may need to refer specifically to the audit of the process for preparing the financial statement disclosures, and to the group auditor's assessment that group disclosures are properly prepared from returns from components and are consistent with the financial statements of the components.
32.	DTT	DTTL agrees that the issues described in paragraphs 304 and 305 related to disclosures and identifying key audit matters merit further consideration and possibly addition of guidance in ISA 600. For instance, the GET may need to 1) provide additional information to component auditors about significant disclosures and key audit matters that have been identified in the past, 2) request the component auditors to report back to the GET with respect to disclosures that may be significant at the group level and issues that may rise to the level of key audit matters, and 3) report back regarding the work performed on these issues. Likewise, the GET may need to seek assistance from the component auditors to perform procedures on other information in accordance with ISA 720 and this may need to be included in the instructions as well.
33.	EYG	<p>Disclosures</p> <p>We agree with the consideration of whether any further changes or clarifications are necessary to ISA 600 in relation to auditing disclosures. In particular, we believe the planned linkages from ISA 600 to ISA 315 may provide opportunities for further clarification.</p> <p>Key audit matters in a group audit engagement</p> <p>We do believe that there may be an opportunity for application material around how the determination of key audit matters at the group level may require information from the component level and vice versa, because such communications may better inform the communication of key audit matters at either the group or the component level. In particular, we believe it is useful for:</p> <ul style="list-style-type: none"> ▶ Group engagement teams to communicate to component auditors the key audit matters that were communicated in the prior period, or that are likely to be communicated in the current period, especially if any key audit matters relate to specific components or need to include descriptions of procedures performed by component auditors ▶ Group engagement teams to request information from component auditors about whether key audit matters will be communicated in standalone auditor's reports (e.g., statutory reports) and, if so, the key audit matters that will be or are expected to be communicated <p>Other information included in an annual report of a group</p> <p>ISA 720 (Revised) acknowledges that group engagement teams may make inquiries or request assistance from component auditors as part of reading and considering the annual report. It may be helpful for the IAASB to consider including a linkage from ISA 600 to this guidance in ISA 720 (Revised). In addition, consideration could be given as to whether additional guidance may be useful regarding inclusion in the group audit instructions any specific requests for assistance with reading and considering the annual report (or whether to raise awareness of the component auditors that the group engagement team may determine at a later point that such requests may be necessary).</p> <p>Conforming amendments to the ISAs for NOCLAR provisions of IESBA Code</p> <p>Refer to our support in our response to GA3 for the IAASB's planned consideration of whether paragraph 48 of ISA 600 should be revised to specifically deal with communications related to non-compliance with laws and regulations (NOCLAR) between the group engagement team and component auditors in light of the revisions to the IESBA Code (when finalized).</p>

34.	GTI	In respect of consideration of the impact of component financial statement information on the disclosures in the group financial statements, we believe that the requirement to consider all types of disclosures is adequately considered in ISA 700, Forming an Opinion and Reporting on the Financial Statements paragraph 13 and related application material. We do agree that further guidance relating to the communication of key audit matters by the group engagement team in a group audit situation would be useful.
35.	KPMG	--
36.	PwC	No changes were proposed to ISA 600 in the IAASB Disclosures project and we are not aware of significant issues arising in practice. As noted in our response to question GA1, there may be benefit in clarifying application material to better explain considerations for a group engagement team in addressing risks of material misstatements in disclosures in the group financial statements when components contribute directly to the matters requiring disclosure. In many cases that information may or may not be included in an entity's traditional 'reporting pack' audited by the component auditor. Similarly, no conforming amendments were proposed to the requirements or application material of ISA 600 arising from the auditor reporting project, including the introduction of ISA 701. We believe a group engagement team, in light of the matters they discuss with the audit committee/those charged with governance, is best placed to determine key audit matters for the group. By applying professional judgement they can determine whether further communication with one or more component auditors is necessary in the circumstances. We have not seen significant challenges in practice that would warrant extensive additional application material.
37.	RBI	--
38.	RSM	At this stage we do not believe that there are special considerations for a group engagement.
39.	SRA	--
Public Sector Organizations		
40.	AGC	We support the development of additional requirements and application guidance for communicating key audit matters to the group engagement team for consideration in forming the auditor's report on the group financial statements.
41.	AGSA	The IAASB should consider the following: <u>Disclosures</u> <ul style="list-style-type: none"> Clarifying the responsibilities of the engagement team and component auditors in relation to the disclosure requirements. The nature of the component information that is significant and should be disclosed in the Group financial statement The impact of the Disclosure requirements in situations where the work is performed by other auditors (where ISA 600 may not be fully applicable) Considering the possible use of the other auditor's (including component auditors) report as evidence.

		<ul style="list-style-type: none"> Whether the disclosure requirement would increase the amount of work performed by the auditors (cost implications vs benefit). The impact of the disclosure requirement on public sectors entities and limited assurance engagements (AOPO and compliance audits where work is performed by other auditors). Whether the group auditors would need to indicate that work was performed by component auditors and other auditors. <p><u>Identifying Key Audit Matters in a Group Audit Engagement</u></p> <ul style="list-style-type: none"> Clarifying the responsibilities of the engagement team and component auditors in relation to the identification of Key Audit Matters in a Group Audit Engagement. Providing clarity in the revised ISA regarding what would be considered a key audit matter Providing guidance regarding the nature, time and extent of procedures that may be performed to identify these key matters Guidance could be provided on how key audit matters relating to components should be reported in the group auditor's report.\ Reference should be made to ISA 701 instead of including requirements relating to key audit matters in ISA 600. Evaluating the impact of this on the amount of work performed by the auditors (cost implications vs benefit) <p><u>Other matters for consideration :</u> As stated in the background information the requirements and application material should be enhanced.</p>
42.	GAO	We support developing additional requirements and application guidance for group engagement teams on the consideration of key audit matters reported by component auditors in the auditor's report on the group financial statements.
43.	INTOSAI	We support the development of additional requirements and application guidance for communicating key audit matters by the group engagement team in the auditor's report on the group financial statements.
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	We have no comment on this question.
47.	AIC	--
48.	AICPA	--
49.	APESB	--
50.	CAANZ	Further application guidance on these matters, particularly the impact of KAM to group audits as discussed in paragraph 305, would be useful. Further guidance on the impact of modifications in components would also be useful.

51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	We support the consideration of the impact of components on disclosures in the group financial statements and key audit matters in the auditor's report for the group.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	None of which we are aware.
58.	★ FACPCE	--
59.	FEE	(208) In relation to the Disclosures project, we do not consider necessary to complicate ISA 600 in this area. The emphasis that all other ISAs apply in addition to ISA 600 when performing a group audit should be enough. (209) As far as it concerns paragraph 305, we do not consider that the right approach would be to have communications between the group engagement team and the component auditors to determine the key audit matters. We believe that the key audit matters are identified by the group auditor via the matters reported to those charged with governance. What would be more beneficial in the process is for the component auditors to help the group auditor identify what is necessary to be reported to the audit committee.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	--
63.	IRE-IBR	(138) In relation to the Disclosures project, we do not consider necessary to complicate ISA 600 in this area. The emphasis that all other ISAs apply in addition to ISA 600 when performing a group audit should be enough. (139) As far as it concerns paragraph 305, we do not consider that the right approach would be to have communications between the group engagement team and the component auditors to determine the key audit matters. We believe that the key audit matters are identified by the group auditor via the matters reported to those charged with governance. What would be more beneficial in the process is for the components auditors to help the group auditor identify what is necessary to be reported to the audit committee.
64.	ICAEW	No answer given

★ Responded to Overview questions of the ITC

65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	We do not believe that it is necessary to revise ISA 600 in light of the disclosures project. Nor do we believe that it would be appropriate to include application material to assist in communications between group and component auditors to identify key audit matters.
67.	ICAZ	ISA 600 should provide application material in areas where KAM's would have been identified by component auditors of significant components.
68.	ICPAK	--
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	What is suggested in the ITC 304-305 could be additionally considered in the group audit practice in relation with IAASB's discourse project recently completed and the audit report project, and the current ISA 600 requirements and application material need to be further developed to improve consistency and clarification of the group audit practice. Thus, it would be desirable for IAASB to identify whether revision needs to be made in its process of conducting ISA 600 revision project and to study possible implications in practice, arising from the revision.
73.	MICPA	--
74.	SAICA	On balance the SMP Committee does not consider that there is a strong case for the Board to undertake any further action in relation to disclosures. We believe that it would be helpful for application material relating to the communication of key audit matters ISA 701 to assist group engagement teams and component auditors. Due to their client base, many component SMPs may not be familiar with the reporting requirements under ISA 701, but may encounter a group level significant risk in the component entity. The group auditor will need to receive the necessary information on this area, should it be determined as a key audit matter for the group auditor's report.
75.	SMPC	On balance the SMP Committee does not consider that there is a strong case for the Board to undertake any further action in relation to disclosures. We believe that it would be helpful for application material relating to the communication of key audit matters ISA 701 to assist group engagement teams and component auditors. Due to their client base, many component SMPs may not be familiar with the reporting requirements under ISA 701, but may encounter a group level significant risk in the component entity. The group auditor will need to receive the necessary information on this area, should it be determined as a key audit matter for the group auditor's report.
76.	WPK	[See p. 5 of comment letter]

★ Responded to Overview questions of the ITC

Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	Other issues to consider: <ul style="list-style-type: none"> • Going concern problems in one component and the impact of cross guarantees on the group's financial stability • Addressing the information needs of the non-controlling (minority) interest in a consolidated group when determining key audit matters for disclosure
84.	JGrant	--
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA10. Are there any other issues relating to group audits that we have not identified? If yes, please provide details. What actions should we take to address these issues?

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	--
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]

★ Responded to Overview questions of the ITC

13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	--
17.	IOSCO	[see pp. 13 – 27 of comment letter]
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	Regarding the proposals identified in our response and in the ITC related to the risk based approach, we would encourage the IAASB to ensure that any enhancements to ISA 600, as described above, are undertaken with appropriate co-ordination with other relevant projects, particularly in relation to ISA 315. We also wish to emphasise our support for the proposals of the IAASB to explore the development of requirements or application material in ISA 600 that emphasise the need for the engagement team to focus on the impact of disclosures in the audit of group financial statements throughout the audit engagement.
National Auditing Standard Setters		
21.	AUASB	No further matters noted.
22.	CAASB	The AASB believes the list of group audit issues identified in this ITC is very thorough. There was one issue raised by one of our Canadian stakeholders which is discussed under GA2 above. No other matters have come to our attention from our Canadian stakeholders.
23.	CNCC- CSOEC	We have not identified other issues relating to group audits.
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	We are not aware of any such issues.

★ Responded to Overview questions of the ITC

26.	JICPA	<p>The current ISA 600 contains no illustrations of the reporting formats submitted from the component auditor to the group engagement team. This could undermine efficiency and effectiveness by burdening the networks with the work of establishing a common understanding and adjusting each other's formats. We therefore believe that it would be meaningful if the IAASB developed illustrative reporting formats. Such formats could be included as an appendix to ISA 600 or in a separate non-authoritative guidance (such as a Q&A). Specifically, it could address the following:</p> <ul style="list-style-type: none"> • The component auditor's report on the financial information of the component using component materiality • The component auditor's report on one or more account balances, classes of transactions, or disclosures • The component auditor's review report on the financial information of the component using component materiality
27.	MAASB	The IAASB should evaluate the impact of technology and changes in audit approaches, including data analytics on group audits. In addition, the use of group substantive analytics and its application to the components should also be considered explicitly in ISA 600.
28.	NBA	Further to our cover letter comments in relation to quality control, we believe it is important for the IAASB to evaluate the impact of technology and changes in audit approaches, including data analytics on group audits.
29.	NZAuASB	<p>Constituents have raised the following additional issue for the IAASB to consider:</p> <ul style="list-style-type: none"> • Guidance on the form of reporting of the 'clearance opinion' from the component auditor to the group auditor, specifically in those circumstance where the component auditor is not expected to apply all the requirements in all relevant ISAs where the audit is performed solely for the purposes of the group audit.
Accounting Firms		
30.	BDO	None noted.
31.	CHI	The considerations about group audits in the discussion paper are comprehensive. We have no further issues to add.
32.	DTT	<p>DTTL has the following specific comments related to this question:</p> <ul style="list-style-type: none"> • DTTL notes that the impending mandatory audit firm rotation requirements in Europe and elsewhere will likely make group audits more complex in that the component auditor landscape across the group may become more fragmented (with different rotation requirements and rotation dates being enforced across the group). This potentially means that the GET will over time need to interact with new component auditors on a more frequent basis, making the requirements and guidance related to the GET's understanding and communications with component auditors even more significant. This underscores the importance of revising ISA 600. • Independence issues within group audits can also be challenging due to the variation in independence requirements across different jurisdictions, and will become more so in the future due to the increased rotations referred to above. To partially mitigate these challenges, DTTL recommends that ISA 600 include more guidance about the communications that should occur between the group and component auditors, including for instance the detail of the independence ruleset that the group auditor expects that the component auditor needs to comply with for the purposes of the group audit (in addition to their own local requirements). DTTL also

		recognizes that there is little guidance in ISA 600 about resolving potential independence issues that arise at the component auditor level, with the simple requirement that where component auditors are not independent under the relevant rules, the group auditor cannot place reliance upon them. However, in practice, DTTL would expect there to be some mechanism to report independence breaches that have occurred at the component auditor level, and how those have been addressed by the component auditor (in the same way that the group auditor would be able to do this under the IESBA Code of Ethics). It would, therefore, be beneficial to recognize that this process under the Code of Ethics is available to the component auditor prior to the group auditor concluding that they are unable to place any reliance on their work (consistent with the comments in the executive summary that these matters remain under the purview of the IESBA).
33.	EYG	Refer to our response to GA1(d) for our views on what else the IAASB could do to address the issues set out in this consultation as well as specific issues that we believe are of high importance to be addressed.
34.	GTI	Refer to responses on the detailed questions, we have no other issues or considerations to include.
35.	KPMG	--
36.	PwC	Further to our overarching comments in relation to quality control, we believe it is important for the Board to evaluate the impact of technology and changes in audit approaches, including data analytics on group audits.
37.	RBI	--
38.	RSM	As referenced above, we believe that the increased use of shared service centers by companies should be fully addressed in these proposals, including consideration of how the group auditor obtains sufficient and appropriate audit evidence.
39.	SRA	--
Public Sector Organizations		
40.	AGC	--
41.	AGSA	IAASB should include sufficient guidance regarding each issue in relation to the public sectors.
42.	GAO	We support the consideration of creating additional guidance, such as an audit guidebook, for group audits that better links the ISAs with the group audit. This will help expand on the application guidance and address other ISAs that a group audit includes, such as those related to materiality, competence, quality control, as well as the requirements and guidance provided in ISA 600.
43.	INTOSAI	--

Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	We are not aware of any other issues.
47.	AIC	--
48.	AICPA	<p>Other issues that have been identified include the following:</p> <ul style="list-style-type: none"> • Inconsistency in information requested regarding related party transactions. Some group auditors ask for a list of affiliates; some ask only about the specific entity. • Consolidation, including how to show transactions that may or may not get eliminated on consolidation, and whether things are disclosed at the parent level; we refer to parent auditor. • Inconsistency with how what the auditor does varies depending on the standard. For example, auditing investments accounted for at fair value at a fund of funds compared to auditing the same investment accounted for using the equity method at a different entity. Another example is when different requirements apply to component auditors, acting as the arms and legs of the group auditor, than would apply if the group auditor did the work themselves
49.	APESB	--
50.	CAANZ	See our comment in relation to GA1.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	<p>Overall we consider that ISA 600 needs to be broadened and retitled to address using the work of other auditors, whether at components, equity investments, joint ventures or ADMs and not limited solely to group audits. This is needed due to the increasing use of ADMs and the growing complexity of ownership structures.</p> <p>Practical examples of the range of circumstances which group engagement teams may face with respect to gathering evidence about components and how the group engagement team may respond would be beneficial. Acknowledging that the spectrum of circumstances may range from component auditors who are part of the same tightly controlled network with the same policies and procedures as the group engagement team within the same jurisdiction, to the other extreme where the component auditor is not from within the same network, is located in a different jurisdiction, using a different language and applying local auditing standards which are different from the ISAs.</p>

56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	None of which we are aware.
58.	★ FACPCE	--
59.	FEE	<p>(210) We would like to point out that the standards are silent when it comes to auditing the use of an SSC, or reliance upon the work performed by an SSC, and that this lack of proper guidance should be tackled, noting that this is an area challenged by regulators.</p> <p>(211) As a starting point, consideration should be given to the standard in which such information should be included. While paragraph 244 mentions that it is not clear how ISA 600 applies to situations linked to the use of an SSC, there is still a need to consider whether these situations should be dealt with in ISA 315 and/or in ISA 402 Audit Considerations Relating to an Entity Using a Service Organization.</p> <p>(212) Moreover, as an SSC can have different influences on an audit, it would be of value to provide some guidance on the different kinds of situations where the auditor might quite rightly be able to rely on the work performed in/by an SSC. This guidance could be part of a specific practice note. By providing scenarios and practical examples, it would help the group auditor deal with the risks resulting from the use of an SSC and help the group auditor give more comfort in deciding whether the work performed is sufficient or not.</p> <p>(213) A second issue we have identified relates to non-controlling investments which are mentioned in the ITC on the subject of access issues. In our opinion, this is a broader issue which deserves much more attention.</p> <p>(214) We have identified a third issue on groups that are registered in one jurisdiction for statutory purposes and have operations in another jurisdiction. We would thus welcome more guidance in this respect.</p>
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	--
63.	IRE-IBR	(140) No.
64.	ICAEW	Shared service centres need to be dealt with. ISA 600 should reflect the way companies are organised. Responsibility for the quality of audit work performed at such centres needs to be clarified and similar considerations apply to those applying to letterbox audits. If most of the audit work is being performed outside the entity, group auditors need to consider the necessary extent of their involvement in the work of the shared service centre, which can effectively function as a component in some cases. IAASB should also consider the obligations of auditors of service centres in such cases who may not only be responsible for the local audit, but who may a significant part to play in the audit of numerous other entities in a group situation.

★ Responded to Overview questions of the ITC

		Letterbox audits are a group audit issue, often where a component represents 100% of a group. Auditors who do not currently follow ISA 600 and simply accept the signature of another auditor as sufficient basis for forming an audit opinion are unlikely to change their behaviour significantly as a result of strengthening ISA 600. The issue is essentially a regulatory issue and IAASB should not attempt to deal with it through auditing standards. Procedures where there are large gaps between year-ends – component auditors are often asked to do a lot, management may be uncooperative and practice varies considerably.
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	We have not identified any other issues.
67.	ICAZ	None
68.	ICPAK	None
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	We have no comments.
73.	MICPA	--
74.	SAICA	--
75.	SMPC	We are not aware of any other issues relating to group audits that have not been identified.
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover- Prawitt	--

★ Responded to Overview questions of the ITC

80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	Other issues to consider: <ul style="list-style-type: none"> • Taxation issues in a group context – communicating with cross-border taxation experts • Understanding materiality in the context of disclosures in the notes to the consolidated financial statements
84.	JGrant	--
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA11. Are there any other specific actions that others could take in relation to group audits? If yes, please provide details.

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	--
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]

★ Responded to Overview questions of the ITC

13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	--
17.	IOSCO	[see pp. 13 – 27 of comment letter]
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	Regarding the proposals identified in our response and in the ITC related to the risk based approach, we would encourage the IAASB to ensure that any enhancements to ISA 600, as described above, are undertaken with appropriate co-ordination with other relevant projects, particularly in relation to ISA 315. We also wish to emphasise our support for the proposals of the IAASB to explore the development of requirements or application material in ISA 600 that emphasise the need for the engagement team to focus on the impact of disclosures in the audit of group financial statements throughout the audit engagement.
National Auditing Standard Setters		
21.	AUASB	The AUASB considers that directors (TCWG) have a significant role to play in the audit of group engagements. It is ultimately the directors' responsibility to understand the components and financial information feeding into a group result and that directors are responsible for understanding the laws and regulations of cross-border engagements. Directors rely on group financial information in order to make key decisions. Furthermore, it is the role of TCWG to ensure that contractual rights exist to facilitate audit access across the group. It is viewed as worthwhile for auditors to actively seek and encourage meeting with audit committees and TCWG in closed sessions where organisational and cultural issues encountered across the group can be shared in an appropriate forum.
22.	CAASB	During the consultation process with our Canadian stakeholders, the AASB noted that, at times, regulators have different interpretations of some key sections of ISA 600, which ultimately may result in an inspection finding. It is vital that this stakeholder group be engaged throughout this process and support the final standard that is developed. Having a consistent understanding of the revised standard is imperative to the regulators role in ensuring audit quality is achieved.

★ Responded to Overview questions of the ITC

23.	CNCC- CSOEC	We have no further comments.
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	We are not aware of any such actions that could be taken by others other than, as we noted above, regulators in different jurisdictions reaching agreement on access to component auditor documentation.
26.	JICPA	--
27.	MAASB	None noted.
28.	NBA	--
29.	NZAuASB	The NZAuASB has not identified any other specific actions.
Accounting Firms		
30.	BDO	None noted.
31.	CHI	The proposed actions in the consultation paper are extensive. We have nothing further to add.
32.	DTT	--
33.	EYG	<p>At this point, we do not believe any actions that others could take in relation to group audits are as important or necessary as the IAASB's revision of ISA 600. We see this revision as important to level-setting the individual expectations that all stakeholders have for group audits and how they should be executed, especially as it relates to the use of the work of component auditors in forming an opinion on the group financial statements.</p> <p>That said, we do have one specific suggestion as it relates to the proposal for group engagement teams to take into consideration the results of quality control monitoring activities that are relevant to their component auditors. For external inspection activities, it may be useful for the regulators or others that conduct these activities to provide public information about the results of their inspections through, for example, use of audit quality indicators or another synthesized format that is designed to assist group engagement teams (or other audit teams that use other auditors) in understanding the competence and capabilities of those other auditors.</p>
34.	GTI	Refer to responses on the detailed questions. SMPs are often the auditor of a component of a group that is audited by a different firm. Difficulties are often encountered in communications with the group auditor, including the level of detail and specificity included in the instructions provided to the component auditor.

35.	KPMG	--
36.	PwC	--
37.	RBI	--
38.	RSM	None
39.	SRA	--
Public Sector Organizations		
40.	AGC	--
41.	AGSA	The Audit firms could also develop their own frameworks or guidelines in line with the ISA in order to provide further guidance to auditors (eg. in public sector). These guidance documents or frameworks would be aligned to the firm's methodology and address the industry or sectors specific challenges that auditors face. This would allow for the ISA to remain flexible and less restrictive. Firms could continue to provide training to staff relating to group audits or the use of other auditors work. Professional bodies could provide further training on group audits once the revised standard is issued.
42.	GAO	In our view, standards should be sufficiently informative that action by others is unnecessary. Consequently, we believe that the proposed standard changes should be the only necessary actions taken in relation to group audits.
43.	INTOSAI	--
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	Many of the identified issues in group audits stem from the structure of group audits. Namely, that the engagement partner is responsible for the entire audit opinion but that the work of component audits is undertaken by other audit firms (even if part of the same network) that may be based in other countries, making regulatory oversight difficult. While we are sympathetic to these regulatory concerns, we believe it is important not to drive the group audit process solely from a regulatory perspective. We perceive an overemphasis on written communications in the ITC which may, perversely, reduce audit quality given the superiority of non-written communication in conveying and

		confirming understanding. While certainly there are improvements that can be made in some areas, we urge the IAASB to be alert to these risks.
47.	AIC	--
48.	AICPA	Actions that others could take include jurisdictions that permit access, and regulators, and audit oversight bodies agreeing on a common understanding of proper application of the standards. As noted above, engagement with IESBA on independence matters to address inconsistencies in current application of independence rules would be helpful.
49.	APESB	--
50.	CAANZ	The directors and preparers could also impact the audit quality in group audits by looking at governance in relation to facilitating access for group auditors to components and communications with component managers.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	Regulatory convergence could facilitate the sharing of information between component or other auditors and group auditors, whether located in the same or a different jurisdiction.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	None of which we are aware.
58.	★ FACPCE	--
59.	FEE	(215) We have no further comments.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	--
63.	IRE-IBR	(141) No.

★ Responded to Overview questions of the ITC

64.	ICAEW	--
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	We have not identified any other specific actions.
67.	ICAZ	None
68.	ICPAK	None noted
69.	★ICPAU	--
70.	★INCPC	--
71.	ISCA	--
72.	KICPA	We have no comments.
73.	MICPA	--
74.	SAICA	--
75.	SMPC	We are not aware of any other specific actions that others could take in relation to group audits.
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	ISA 600 needs to recognize different types of consolidated groups and how the group structure impacts user needs and the audit process.

84.	JGrant	--
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA12. Are there any specific considerations for SMPs related to the issues and potential actions described in this section? Are there any other considerations for SMPs of which we should be aware? If so, please provide details and views about these matters.

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	--
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]

★ Responded to Overview questions of the ITC

13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	--
17.	IOSCO	[see pp. 13 – 27 of comment letter]
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	Regarding the proposals identified in our response and in the ITC related to the risk based approach, we would encourage the IAASB to ensure that any enhancements to ISA 600, as described above, are undertaken with appropriate co-ordination with other relevant projects, particularly in relation to ISA 315. We also wish to emphasise our support for the proposals of the IAASB to explore the development of requirements or application material in ISA 600 that emphasise the need for the engagement team to focus on the impact of disclosures in the audit of group financial statements throughout the audit engagement.
National Auditing Standard Setters		
21.	AUASB	No further matters noted.
22.	CAASB	In Canada, SMPs are generally not involved with group audits, and therefore we received limited feedback from SMPs with specific concerns relating to group audits. One of our practitioner stakeholders who acts as a component auditor expressed support for a separate component auditor standard. However, the AASB believes if appropriate and sufficient guidance for component auditors is included in ISA 600, a separate standard is not necessary.
23.	CNCC-CSOEC	SMPs are often involved in group audits as component auditors. It is important that the IAASB bears in mind the need to ensure that, under its standards, audit firms that are not part of a network are not treated differently from audit firms that are.
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	Yes. The IAASB will need to be careful to be sure that those changes it makes to ISA 600 and other standards can be applied in the audit of smaller groups. There are very many such audits performed on a world-wide basis.

		In addition, SMPs are often involved in group audits in the capacity of component auditor. We have commented above as to the need for the IAASB to bear in mind that, under its standards, audit firms that are not part of a network are not treated differently from auditors that are. It is therefore important for the IAASB to stress that the criteria it establishes for evaluating the suitability of component auditors are assessed on the basis of “taken as a whole” using the factors in ISA 600.A33 rather than viewed in isolation.
26.	JICPA	--
27.	MAASB	None noted.
28.	NBA	--
29.	NZAuASB	The NZAuASB has not identified any specific considerations for SMPs related to the issues and potential actions described in this section.
Accounting Firms		
30.	BDO	None noted, except as indicated above.
31.	CHI	We agree with the suggestion in paragraph 199 that it may be necessary to develop a standard for component auditors as this can particularly assist SMPs.
32.	DTT	--
33.	EYG	--
34.	GTI	Refer to responses on the detailed questions, we have no other issues or considerations to include.
35.	KPMG	--
36.	PwC	--
37.	RBI	--
38.	RSM	None, other than those noted above.
39.	SRA	--

Public Sector Organizations		
40.	AGC	--
41.	AGSA	Not applicable as AGSA would not be able to provide meaning full considerations/ inputs relating the small and medium practises.
42.	GAO	Communication of component auditor responsibilities is important for SMPs.
43.	INTOSAI	--
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	We are not aware of any specific considerations for SMPs.
47.	AIC	--
48.	AICPA	Concern has been expressed that when dealing with international groups, SMPs are at a disadvantage in accessing the information necessary to be group auditor, and in providing access to information to the group auditor. There is a bias to use larger firms because it is easier to obtain the necessary understanding about them based on international networks. Due to the ability to make reference to component auditors in the U.S., SMPs may be used for parts of an audit domestically, but not when the audit involves foreign jurisdictions, due to the difficulty of getting information, such as peer reviews, understanding of jurisdictional quality controls, etc.
49.	APESB	--
50.	CAANZ	Whilst we agree with the IAASB's view that an 'audit is an audit', in practice, we know that there are issues in scaling an audit for smaller entities. This issue cannot be solely addressed through the auditing standards as part of the issue is which entities should be subject to audit, which is matter of policy in individual jurisdictions and requires policy reform to address. However we encourage the IAASB to explore options in relation to both scaling an ISA audit (additional guidance) and developing either an audit standard or other assurance project for use by the auditors of small entities. The Nordic Federation of Accountants proposed Standard for Audits of Small Entities which they consulted on in 2015 is an example of the kind of approach that could be considered.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--

54.	CIMA	--
55.	CPAA	Group audits or using the work of other auditors is often more challenging for SMPs as they are less likely to be using the work of an auditor within a network firm which uses the same methodology and relies on the same quality control system. More extensive application material could promote consistency in the expectations placed on other auditors.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	Our responses to the above questions are based upon SMP considerations.
58.	★ FACPCE	--
59.	FEE	(216) The IAASB will need to ensure that the changes made to ISA 600 and other standards can be applied in the audit of smaller groups. There are very many such audits performed on a world-wide basis. (217) In addition, SMPs are often involved in group audits in the capacity of component auditors. It is important that the IAASB bears in mind the need to ensure that, under its standards, audit firms that are not part of a network are not treated differently from auditors that are.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--
62.	IBRACON	--
63.	IRE-IBR	(142) The IAASB will need to ensure that the changes made to ISA 600 and other standards can be applied in the audit of smaller groups. There are very many such audits performed on a world-wide basis. (143) In addition, SMPs are often involved in group audits in the capacity of component auditors. It is important that the IAASB bears in mind the need to ensure that, under its standards, audit firms that are not part of a network are not treated differently from auditors that are.
64.	ICAEW	--
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	It is important for the IAASB to ensure that the changes made to ISA 600 and other standards can be applied in the audit of smaller groups. In addition, SMPs are often engaged as component auditors and may, or may not, be part of a larger network. It is therefore important that the changes made to ISA 600 can be consistently applied by those firms that are part of a network and those that are not.
67.	ICAZ	None

★ Responded to Overview questions of the ITC

68.	ICPAK	None
69.	★ ICPAU	--
70.	★ INCPC	--
71.	ISCA	--
72.	KICPA	We have no comments.
73.	MICPA	--
74.	SAICA	--
75.	SMPC	We have included comments above which highlight the importance that any changes being made to ISA 600 can be proportionally applied so as not to disproportionately impact SMPs who are often involved in larger group audits in the capacity of component auditor, as well as group auditor in the audit of smaller groups.
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--
82.	CK	--
83.	DAHughes	SMPs audit many diverse group structures, which are owned privately. Many privately held groups are much larger than listed entities. Some groups may not have a traditional vertical structure and may include other non-corporate entities. Reasons for particular group structures include taxation, asset protection and estate planning. These factors impact audit risk and the way the audit is planned. ISA 600

★ Responded to Overview questions of the ITC

		takes a more traditional approach to auditing a vertical corporate group, with a focus on investors in the parent entity, and limited guidance for these other group scenarios.
84.	JGrant	--
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

★ Responded to Overview questions of the ITC

GA13. Are there any specific public sector considerations related to the issues and potential actions described in this section? Are there any other public sector considerations of which we should be aware? If so, please provide details and views about these matters.

#	Respondent	Comments
Investors and Analysts		
1.	★ CalPERS	--
2.	★ CalSTRS	--
3.	CFA	[see p. 6 of comment letter]
4.	★ IA	--
5.	★ ICGN	--
6.	NZSA	--
7.	★ SAAJ	--
Those Charged with Governance		
8.	AICD	--
Regulators and Audit Oversight Authorities		
9.	BCBS	[see pp. 3 & 4 of comment letter]
10.	CPAB	[see pp. 2 & 3 of comment letter]
11.	EAIG	[see pp. 3 & 4 of comment letter]
12.	EBA	[see pp. 9 & 10 of comment letter]

★ Responded to Overview questions of the ITC

13.	★ ESMA	--
14.	H3C	--
15.	★ IAIS	--
16.	IFIAR	--
17.	IOSCO	[see pp. 13 – 27 of comment letter]
18.	IRBA	--
19.	MAOB	[see p. 3 of comment letter]
20.	UKFRC	Regarding the proposals identified in our response and in the ITC related to the risk based approach, we would encourage the IAASB to ensure that any enhancements to ISA 600, as described above, are undertaken with appropriate co-ordination with other relevant projects, particularly in relation to ISA 315. We also wish to emphasise our support for the proposals of the IAASB to explore the development of requirements or application material in ISA 600 that emphasise the need for the engagement team to focus on the impact of disclosures in the audit of group financial statements throughout the audit engagement.
National Auditing Standard Setters		
21.	AUASB	No further matters noted.
22.	CAASB	During our consultations, no special considerations by public sector practitioners were raised. The AASB is of the view that group audit challenges in the public sector are largely consistent with those faced by other practitioners. As changes to specific requirements and application material are contemplated by the IAASB, further consultation with public sector members can be conducted to seek input regarding specific changes.
23.	CNCC- CSOEC	We have no further comments.
24.	HKICPA	[see p. 5 of comment letter]
25.	IDW	We have chosen not to comment as to specific public sector considerations.

26.	JICPA	--
27.	MAASB	None noted.
28.	NBA	--
29.	NZAuASB	The NZAuASB has not identified any specific public sector considerations.
Accounting Firms		
30.	BDO	None noted.
31.	CHI	We have no specific comments to add.
32.	DTT	Public sector organizations pose their own group audit challenges due to the nature of the disparate entities that are sometimes organized under a single reporting entity. The GET in these situations sometimes encounters challenges in applying the requirements of ISA 600 due to the varying levels of control exerted by the management of the reporting entity over the other entities, as well as the access that the GET can obtain to the auditors of those components.
33.	EYG	--
34.	GTI	--
35.	KPMG	--
36.	PwC	--
37.	RBI	--
38.	RSM	None.
39.	SRA	--

Public Sector Organizations		
40.	AGC	We have not identified any other issues relating to group audits including specific public sector considerations other than those already identified in the invitation to comment and in our responses to the preceding questions concerning group audits.
41.	AGSA	<p>The involvement of other auditors work is common in public sector audits. The IAASB should consider the following:</p> <ul style="list-style-type: none"> • Providing clarity regarding the responsibilities of the engagement team and other auditors. As well as indicating which party would be responsible for performing risk assessment and designing procedures to be performed. • Providing clarity regarding the documentation requirements relating to the work performed by the other auditors. • Providing clarity regarding which engagement partner or manager is responsible to the quality of work. How the audit should be directed, performed, supervised and reviewed. • Providing clarity regarding the level of involvement required and communication needed between the engagement team and other auditors. • Address issues relating to the evaluation of the work of the component auditors on the group audit engagement and whether sufficient appropriate audit evidence has been obtained. • AGSA audit of AOPO and compliance and how these will be addressed by component auditors and incorporated into ISA 600. (agreed upon procedures / limited assurance engagements)
42.	GAO	We have no additional specific public sector considerations related to group audit issues that were not covered in our other responses.
43.	INTOSAI	We support the consideration of creating additional guidance, such as an audit guidebook, for the group audit to better link ISAs with the group audit. This will help expand on the application guidance and address other ISAs that a group audit includes, such as materiality, competence, quality control, etc., as well as the requirements and guidance provided in ISA 600.
Preparers of Financial Statements		
44.	PAIB	--
Member Bodies and Other Professional Organizations		
45.	AAT	[See pp. 4 & 5 of comment letter]
46.	ACCA	We are not aware of any specific public sector considerations.
47.	AIC	--
48.	AICPA	<p>See also GA1 for discussion of challenges based on accounting framework.</p> <p>Governmental financial statements often include financial information of independent entities; for example, a non-governmental entity, such as a non-for-profit hospital or a state university, whose financial information is consolidated into the government's financial statements, or a fund whose financial information appears in its own column on the financial statements apart from the primary government (referred to as</p>

		<p>a discretely presented component unit [DCPU]). Because the component is an independent entity, the group auditor has no authority over and often no influence with the component auditor. This creates difficulties, some but not all of which are alleviated by the ability to make reference to another auditor. The area of subsequent events, as discussed above, is a particular concern in this regard. For example because, by definition, the DPCU's auditor must sign off on its opinion before the primary government's auditor signs off his or her opinion, this causes a time gap. Obtaining subsequent events updates from the DPCU is often difficult, as mentioned above, as there is really no requirement or incentive for the DPCU to cooperate. In addition, the financial reporting framework applicable to governments in the U.S. allow a DPCU to be presented on a different fiscal year-end than the primary government. For example, a primary government might have a December 31 fiscal year end and include a component unit with a September 30 fiscal year end.</p> <p>Similarly, U.S. Generally Accepted Accounting Principles often requires consolidation of a not-for-profit entity when control and economic interest exists. Economic interest is created because the governing documents for exempt status require designation of another not-for-profit entity to take the assets if dissolution should occur. This often creates consolidation of entities where there is a board presence but not similar operations or even year ends. This creates audit execution challenges.</p>
49.	APESB	--
50.	CAANZ	No further comments.
51.	CAI	[See pp. 3 & 4 of comment letter]
52.	CAQ	--
53.	CIIPA	--
54.	CIMA	--
55.	CPAA	None identified.
56.	DnR	Our response focuses at a high level on the topics discussed and the direction that IAASB should take with the ITC. For input on the specific questions in the ITC we refer to the comment letter from FEE.
57.	EFAA	--
58.	★ FACPCE	--
59.	FEE	(218) We have no further comments.
60.	FSR	For specific answers to the queries in the ITC, we in general refer to the comment letter from FEE.
61.	IBA	--

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62.	IBRACON	--
63.	IRE-IBR	(144) No further comments.
64.	ICAEW	--
65.	ICAP	[See p. 3 of comment letter]
66.	ICAS	We have no further comments.
67.	ICAZ	None
68.	ICPAK	None noted
69.	★ICPAU	--
70.	★INCPC	--
71.	ISCA	--
72.	KICPA	We have no comments.
73.	MICPA	--
74.	SAICA	--
75.	SMPC	We have no comments on public sector considerations.
76.	WPK	[See p. 5 of comment letter]
Academics		
77.	AAA	--
78.	AH	--
79.	Glover-Prawitt	--
80.	TRay	--
Individuals and Others		
81.	CBarnard	--

82.	CK	--
83.	DAHughes	--
84.	JGrant	--
85.	JK	--
86.	★ KKTuraga	--
87.	SDeViney	--

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