



ISA 600, *Group Audits*

Toronto, Canada

March 11, 2019

Len Jui, ISA 600 Task Force Chair

IAASB

International Auditing
and Assurance
Standards Board

Task Force

Members

- Len Jui, Task Force Chair (supported by Susan Jones)
- Bob Dohrer
- Rich Sharko
- Wolf Böhm
- Josephine Jackson
- Dora Burzenski (Correspondent member)

Staff

- Jasper van den Hout
 - Dan Montgomery (Consultant role)
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Project Timeline

Work commenced on group audits in
January 2015

Invitation to Comment issued in
in December 2015

Project proposal approved in
December 2016

Project update issued in
September 2017

In 2019 the Task Force will continue
to work towards an Exposure Draft
of ISA 600 (Revised)

Project
Proposal

ITC

Project
Update

Information
gathering

Continue to work
towards ED

March 2019 CAG Meeting

- Support for the new approach to scoping a group audit
- The CAG noted the following matters for consideration by the Task Force
 - Relevant ethical requirements (including independence)
 - Supported liaising with IESBA
 - Component materiality, including how to deal with aggregation risk
 - Communication between the group auditor and the component auditor
 - Communication is too formalized and should focus on the risks
 - The interactions between the group auditor and the statutory auditor
 - Responsibilities of the engagement partner when the majority of the audit work has been performed by another auditor

Scoping a Group Audit Engagement

The ISA 600 Task Force discussed a new approach to scoping a group audit with the Board in September 2016 and December 2017

Focus on identifying and assessing risks at the group level and determining that the planned scope of work adequately responds to those risks instead of focusing on the identification of components and their significance

Understanding the entity's operational structure remains foundational to the auditor's overall group audit strategy and group audit plan

Addresses many of the issues identified in the ITC

Provides a framework for further exploration of the nature of the work to be done by component auditors

Matter for IAASB Consideration

Question 1: The IAASB is asked whether it continues to support developing the top-down, risk based approach, and whether there any other matters the Task Force should consider in developing this approach



Definitions

- Component
 - Affects the definition of significant component, group audit and group financial statements
 - Respondents to the ITC highlighted practical challenges in applying definitions
 - Lack of adaptability of the definition of component in light of evolving or more complex group structures
 - The interaction of “significant risks” and “significant components”
 - Way forward: Task Force will consider whether the definition of component should be changed

Definitions

- Group engagement team
 - Respondents to the ITC noted that clarification is needed which engagement participants fall within or outside the definitions of group engagement team and component auditor
 - Way forward: Task Force will reconsider the definition of group engagement team based on the revised definition in proposed ISA 220 (Revised)

Matter for IAASB Consideration

Question 2: The IAASB is asked for its views on the way forward proposed by the Task Force in respect to the definitions



Linkages with other Standards

Respondents to the ITC supported clarifying and reinforcing in ISA 600 that all ISAs, when applicable, need to be applied in a group audit engagement

- ISA 220 (Revised) (and indirectly ISQM 1) with respect to quality management considerations at the firm and at the engagement level
- ISA 230 with respect to related documentation
- ISA 240 with respect to identifying and assessing the risks of material misstatement of the financial statements due to fraud



- ISA 320 with respect to applying materiality in planning and performing an audit of financial statements
- ISA 330 with respect to responding to the identified risks of material misstatement
- ISA 500 with respect to designing and performing audit procedure to obtain sufficient appropriate audit evidence

- ISA 315 (Revised) with respect to understanding the entity and its environment (including internal control) and the identification and assessment of risks of material misstatement

Overview of Issues

- Agenda Item 2-A includes issues related to some of ISA 600's foundational ISAs
 - Responsibilities of the Group Engagement Partner
 - Acceptance and Continuance
 - Understanding the Group, Its Components and Their Environments
 - Understanding the Component Auditor
 - Identifying and Assessing the Risks of Material Misstatement
 - Responding to Assessed Risks
 - Consolidation Process
 - Communication with the Component Auditor
 - Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained
- Other issues that have been identified in the ITC will be discussed by the TF
 - For example, component materiality, disclosures and documentation

Matter for IAASB Consideration

Question 3: On Agenda Item 2-A , the IAASB is asked for its views on

- a) The issues, including information about how they are being addressed in practice
- b) Whether additional issues have been identified since the publication of the ITC
- c) The summary of how the “foundational standards” relate to ISA 600
- d) The possible action(s) identified to address the issue



Way Forward

- Continue to work on issues identified
 - First focus on scoping a group audit engagement
- Liaise with key stakeholders
 - Regulators
 - Practitioners
 - National standard setters
 - IESBA



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