

ISA 600, Group Audits

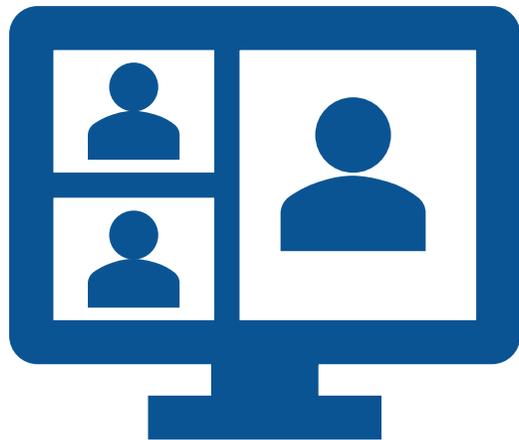
Agenda Item 5

IAASB March 2021 Meeting

Len Jui, ISA 600 Task Force Chair



IAASB CAG, SMPAG and Outreach



CAG

- Discussed scope and applicability, and risk-based approach
- Generally supportive of proposed changes, comments related to
 - Audit firm concentration
 - Significant components
 - Documentation of professional judgments

SMPAG letter

Outreach

Liaison with other IAASB Task Forces and IESBA Task Force

March 2021 Discussion



Goal: Input on proposed revisions and direction on way forward



Nature of changes: Respond to comments on ED-600 and Board input (no changes in key principles)

Scope and Applicability – Introduction

- Expanded the Introduction to highlight key concepts
 - Clarified the ‘entry point’ – paragraph 1A
 - Addressed comments about branches and divisions – paragraph A2B
 - Included scalability considerations – paragraph A2C
 - Added a paragraph like extant paragraph 2 – paragraph 1B
 - Clarified group auditor determination of components – paragraph 3A
 - Highlighted the importance of involving component auditors – paragraph 3B

Matter for IAASB Consideration

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 600 (Revised) related to paragraphs 1–6, A1–A10 of **Agenda Item 5-A**

Scope and Applicability – Definitions

- Component – paragraph 9(b)
- Group auditor – paragraph 9(h)
 - Replaces ‘group engagement team’
- Group financial statements – paragraph 9(k)
 - Integrated description of consolidation process
 - Consolidation process not the same as ‘consolidation’ – paragraph A16A

Matter for IAASB Consideration

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 600 (Revised) related to paragraphs 9, A12, A16–A16B of **Agenda Item 5-A**

Risk-Based Approach – Group Audit Strategy

- Developed framework on how to apply the risk-based approach
 - Group audit is not a linear process; initial decisions may need to be changed
 - For example, involvement of component auditors and components at which audit work will be performed
- New requirement related to overall group audit strategy (paragraph 17A)
 - Determination of components at which audit work will be performed and whether to involve component auditors

Matter for IAASB Consideration

The IAASB is asked for its views on the Task Force's revisions to proposed ISA 600 (Revised) related to paragraphs 13, 17A, A33A–A33J and A40–A40A of **Agenda Item 5-A**

Risk-Based Approach – Communications

- Moved paragraph 23A earlier in the standard
 - Establishes general principles of timely, two-way communications and enhances structure of the standard
 - Revised requirement to include expectations about the nature, timing and extent of communications
 - Revised application material to provide greater clarity about the timing and form of communications and to emphasize the two-way nature of the communications

Matter for IAASB Consideration

The IAASB is asked for its views on the Task Force's revisions to proposed ISA 600 (Revised) related to paragraphs 23A, 26, A52A–A52J of **Agenda Item 5-A**

Risk-Based Approach – Risk Assessment

- Merged paragraph 32 into paragraph 25
 - Component auditors are often involved in both obtaining an understanding of the group and identifying and assessing RoMM
 - Enhances structure of the standard
- ‘Evaluate’ results of component auditor's risk assessment procedures (was ‘consider’)

Matter for IAASB Consideration

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 600 (Revised) related to paragraphs 25, 31, 32, A53–A55, A71–A71D, A78–A79D of **Agenda Item 5-A**

Risk-Based Approach – Responding to RoMM

- Expanded paragraph 33 to enhance structure of standard
 - Determining components at which to perform further audit procedures
 - Nature, timing and extent of the work to be performed at components
- Application material enhanced
 - More neutral wording regarding performing procedures centrally or at components
 - Clarified when to use testing approaches in paragraph A97

Matter for IAASB Consideration

The IAASB is asked for its views on the Task Force's revisions to proposed ISA 600 (Revised) related to paragraphs 33, 37, A85–A88B, A96–A101 of **Agenda Item 5-A**

Risk-Based Approach – Communications and Stand Back

- Communications
 - Included corrected misstatements (paragraph 44(c))
 - Added application material to address comments from respondents to ED-600 and the Board
- Stand back: added paragraph A114A to close the loop on the iterative nature of an audit

Matter for IAASB Consideration

The IAASB is asked for its views on the Task Force's revisions to proposed ISA 600 (Revised) related to paragraphs 44–45, A49, A111A–A113, A114A–A115 of **Agenda Item 5-A**

Materiality

- Aggregation risk – added wording from EM to ED-600 in paragraph A11
- Component performance materiality (CPM)
 - Reaffirmed use of term in place of ‘component materiality’
 - Judgment needed in setting CPM – paragraph A75
- Considerations when communicating CPM – paragraphs A77A-A77B
- Additional guidance and examples outside of standard

Matter for IAASB Consideration

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 600 (Revised) related to paragraphs 9(a), 29-30, A11 and A73-A77B of **Agenda Item 5-A**

Documentation

- Included reference to ‘experienced auditor’ in paragraph 57
- Clarifications/enhancements to application material
 - Link to evaluation of SAAE (stand back) – paragraph A123A
 - General principle for group audit documentation – paragraph A124
 - Guidance and examples for including component auditor documentation in group auditor audit file – paragraphs A124A-A124C
 - Clarified guidance re: restrictions on access – paragraphs A129-A130A

Matter for IAASB Consideration

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 600 (Revised) related to paragraphs 57, A123A-A130A of **Agenda Item 5-A**

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