

Supplement A.4 to Agenda Item 4

Question 7 – Do you support the enhancements with respect to the acceptance and continuance?

Question 7

With respect to the acceptance and continuance of group audit engagements, do you support the enhancements to the requirements and application material and, in particular, whether ED-600 appropriately addresses restrictions on access to information and people and ways in which the group engagement team can overcome such restrictions?

Q7 – Agree

1. Monitoring Group

IAIS

Emphasising the responsibility of the Group Engagement Team and Partner to gather sufficient appropriate evidence and manage quality at the engagement level (including the group engagement team's responsibility to identify and assess the risks of material misstatement, and to design and perform further audit procedures). It is appropriate that the group engagement team can make use of component auditors to assist the different stages of the audit, but use of the component auditor should not diminish the responsibilities of the Group engagement team.

The IAIS supports the enhanced requirements for acceptance and continuance of group audit engagements (including addressing the restrictions on access to information). The practical guidance is helpful (including the types of restriction and approaches to deal with these).

We welcome that the standard does not alleviate the group engagement team from its responsibility to gather sufficient appropriate evidence where restrictions may exist.

2. Investors and Analysts

CRUF

This ED clearly states that the responsibility of the group engagement team is not reduced, even if there are restrictions on access to key people and information. The group engagement team shall take this into consideration when deciding whether to accept or continue the audit engagement, and to document these restrictions.

On the other hand, examples of how to deal with access restrictions have been increased, and examples of descriptions in auditor's reports are also shown in Appendix 2. This will encourage companies to take action.

3. Regulators and Audit Oversight Authorities

NASBA

NASBA supports addressing restrictions on access prior to accepting or continuing group audit engagements. NASBA believes ED-600 appropriately addresses restrictions on access and ways in which the group engagement team can overcome such restrictions.

4. National Auditing Standard Setters

CNCC-CSOEC

With respect to the acceptance and continuance of group audit engagements, we support the enhancements to the requirements and application material.

NBA

We support the enhancements. As stated earlier (see Q1a), this does not relate to group audits only.

5. Accounting Firms

CR

With respect to the acceptance and continuance of group audit engagements, we support the enhancements to the requirements and application material. While ED-600 cannot be expected to anticipate every situation, we believe ED-600 appropriately addresses various restrictions on access to information and people and ways in which the group engagement team can overcome such restrictions.

ETY

Yes, we do. We think that ED-600 address adequately restrictions on access to information and people in the requirements and its application and explanatory material.

KPMG

We consider the material regarding restrictions on access to people and information that are beyond the control of group management, e.g. in respect of a non-controlling interest in an entity accounted for by the equity method, or restrictions in transferring audit documentation across borders, to be helpful in describing the different types of restrictions and ways they may be overcome as well as considerations/ actions that may be taken if they cannot be. This area causes practical difficulties for a number of audit engagements and therefore the inclusion of this material is helpful and will also drive group engagement teams to better consider this upfront at the audit acceptance/ continuance stage and in early planning.

MGN

We support the enhancements to the requirements and applications material relating to acceptance and continuance of group audit engagements.

6. Public Sector Organizations

GAO

The enhancements included in the requirements and application material should be useful during group audits. The inclusion of paragraphs related to component auditors should be helpful. The requirements for addressing restrictions on access to information and people is straightforward. The application material for this section (A27-A31) is useful for identifying ways to overcome restrictions to information and people. The application material also provides useful information on how to address instances where the group audit team is not able to overcome the restriction.

PAS

Yes, we support the enhancements to the requirements for acceptance and continuance of group audit engagements

7. Member Bodies and Other Professional Organizations

BICA

We support the improvement to the requirements and application material with respect to the acceptance and continuance of group audit engagements and we believe that ED 600 is relevant in addressing restrictions on access and ways in which the group engagement team can overcome such restrictions.

CalCPA

We agree with and support the enhancements and application material.

CPAI

No issues identified in this area.

EFAA

We support the enhancements.

FAR

In general, FAR supports the response submitted by the Nordic Federation of Public Accountants and FAR therefore refers to this response.

ICPAS

Response: We believe this is appropriately addressed.

INCP

Answer: Those changes proposed in ED-600 are not radical and provide an enhancement to understanding the requirements. There is a better reference to other related ISAs, for example: NIA 210R and 705. The application material is appropriate and adequately broadens the requirement.

Enhancements sufficiently address potential restrictions to the auditor of a group, such as access to people and information of the group's components, and the response that the auditor must consider when faced with these restrictions; and these are applicable requirements for big practices and small- and medium-sized practices in Colombia and no local amendments or adaptations are needed.

KICPA

We support the improvement of requirements and application material of ED-600 to address restrictions on access to information and people along with how to overcome such restrictions.

NRF

Yes, we believe that this issue is appropriately addressed and we support the enhancements.

NYSSCPA

Access restrictions to people and information are generally more likely in a group audit spanning across several countries or geographic areas, or where the entities' assets and activities are in countries where governments are the driving economic force.

If restrictions surface and become an issue late in the audit cycle, they could become an insurmountable problem. We believe the ED recognizes the complexity that restrictions pose and provides for helpful guidance and support to both alleviate the problem and allow auditors viable solutions or a path to disengage

TFAC

Yes

8. Academics

HUNTER

We believe the enhancements to the requirements and application material and, in particular, which ED-600 appropriately addresses restrictions on access to information and people and ways in which the group engagement team can overcome such restrictions. The ED-600 improves the clarity and understandability of the work of component auditors in group audits. Also, the ED-600 assists in supporting professional skepticism for group engagement teams. The enhancements of ED-600 provide necessary input in revisions to those standards addressing foundational issues and requirements that are relevant to group audits.

9. Individuals and Others

VERA

ED-600 addresses restrictions appropriately.

Q7 – Agree with comments

1. Monitoring Group

BCBS

Responsibilities of the group engagement team and partner

The Committee agrees with the proposals in ED-600 to emphasise the responsibilities of the group engagement team and partner for the various elements of the audit (eg in paragraphs 4, 12, 31 and 52) – in particular, that the group engagement partner is responsible for managing quality at the engagement level and the group audit opinion.

The Committee considers it important that the special considerations applicable to the audit of group financial statements should not take away from the requirements to apply all relevant ISAs to the group audit. This is, in part, to ensure that the audits of different components of the group are undertaken in accordance with the same auditing and ethical standards, and that where a component is located in a jurisdiction where weaker standards apply, those weaker standards should not be used. The Committee believes that ED-600 could be clearer in this regard (see response to question 1 in the Annex).

The Committee also welcomes the fact that ED-600 clarifies the respective responsibilities of the group engagement team and the component auditors and the interaction between them, and the emphasis on the

importance of the two-way communication between the group engagement team and the component auditor.

The Committee acknowledges the importance of access to people and information at the components of a group and that ED-600 cannot enforce access to people and information, but that it can help by developing guidance for situations where access to people or information is restricted. Access to people and information has a significant impact on the ability of the group engagement team to conduct the audit activities effectively.

The Committee appreciates the different approaches envisaged by ED-600 for restrictions on access outside the control of group management and for restrictions on access imposed by group management. In particular, we are supportive of ED-600 not alleviating the requirement for the group engagement team to obtain sufficient appropriate audit evidence and including application material to overcome restrictions on access to information or people and deal with this situation.

Additional drafting suggestions or matters of clarity:

ED-600 paragraph 13: an understanding of the relevant laws and regulations in operation in different jurisdictions is essential to understanding whether there are likely to be restrictions on information access. We recommend that paragraph 13 specifies that, as a minimum, the group engagement team should obtain an understanding of the relevant laws and regulations applying to the group that may impose restrictions on the ability of group engagement team to receive information.

ED-600 paragraph A21: the application material could be usefully expanded to suggest that the group engagement partner should seek an understanding of the level of ownership and control over entities within the reporting entity. This may not align with the legal structure in all circumstances, yet can be relevant to determining the entities included in the consolidation. It may also help identify potential restrictions on access by highlighting areas where an investor within the audited entity lacks control.

ED-600 paragraph A22: the illustrative sources of information are almost all internal to the audited entity. It would be beneficial for the auditor to also consider whether there are more third party sources that could provide relevant information (eg a network firm may be able to provide information on the economic, business, regulatory and political environment in relation to a component).

ED-600 paragraph A35: a cross reference to paragraphs 13 and 14 and the related application material may clarify what the group engagement team should do if the restrictions are such that sufficient appropriate evidence cannot be gathered.

ED-600 paragraph A35: the group engagement team could also request that the component auditor should inform the group engagement team at the earliest opportunity of any matters that may mean the component auditor is not able to conduct the work as directed by the group engagement team or that otherwise might impose restrictions on information sharing.

IFIAR

Restrictions on access to information and people

The proposed ED-600 includes details on how to address and/or overcome restrictions on the GET's access to information and/or people for the audit. Specifically, paragraph A 30 refers to the GET's communication with the GET's firm who in turn may communicate with regulators, listing authorities or others, about the restrictions and may encourage group management to communicate with regulators. It is not clear what the objective or purpose of such communication is or how it helps overcome the concerns arising from the

access to information and/or people. While we support the direction of the proposed revisions, additional guidance is needed to understand and demonstrate how aspects of access restrictions could be overcome.

3. Regulators and Audit Oversight Authorities

CEAOB

Acceptance and Continuance

Paragraphs 16 and 17 in conjunction with A29 could be read that a discussion with the component auditor about the procedures performed is sufficient by itself for the group auditor to rely on those procedures to overcome restrictions on access to information or people. Similarly for entities accounted for using the equity method, paragraph A29 could be read that access restrictions might be overcome by considering information as the sole procedure. In our view these procedures alone do not satisfy the requirement to obtain sufficient appropriate audit evidence.

Paragraph 19 requires a confirmation from the component auditor about their willingness to cooperate with the group engagement team. We believe that the group engagement team should also be required to request the component auditor to confirm that it will conduct its work as directed by the group engagement team. Therefore, paragraph A35 should be mandatory and elevated to a requirement. Additional provisions are also needed to address scenarios where the component auditor is not able to confirm (full) cooperation, for example in cases where national law imposes restrictions on sharing audit documentation or certain data.

Paragraph 20 addresses ethics and independence related matters. We suggest including the requirement in para 20 (c) in paragraph 44 as it relates to communication by component auditors. We think that the confirmation from component auditors that the ethical requirements including those related to independence have been fulfilled should be obtained at the beginning of the engagement as well as during the conclusion phase of the audit. We also suggest clarifying the linkage between paragraph 20 and the confirmation on compliance with ethical requirements including those related to independence in the corresponding application material. Further we are of the view that the confirmation from component auditors on compliance with ethical requirements including those related to independence should be in writing.

Paragraph 21 (b) should require, where the results of external inspections are not provided, the group auditor to request confirmation from the component auditor that there has not been a recent inspection or that there were no significant findings or recommendations arising from such an inspection. This would contribute to the assessment of the competency and capability of the component auditor by the group engagement partner as required by paragraph 21 (a).

The level of involvement of component auditors should be determined by the group engagement partner at a sufficiently early stage to ensure proper communication and performance of procedures at the component level. Before accepting the assignment, the group engagement partner also needs to take into account the requirements of the ISAs and the need for appropriate and timely planning and coordination. In the particular circumstances of late-appointment of the group auditor, and where the component auditors have already finalised their work on the statutory accounts of group entities, ED 600 should further emphasize (e.g. in paragraphs A21-25) that the group engagement partner shall decline the group audit assignment if the timeframe and completion date do not allow the group engagement team to gather sufficient and appropriate audit evidence as required, which may include additional work by the component auditors.

CPAB

Restrictions on access to information and people

ED-600 includes details on how to address and/or overcome restrictions on the group engagement team's access to information and people at different stages of the audit process. Specifically, A 30 refers to the group engagement team's communication with the group engagement team's firm, who in turn may communicate the restrictions with regulators, listing authorities or others and may encourage group management to communicate with regulators. It is not clear what the objective or purpose of such communication is or how it helps overcome the concerns arising from the access to information and/or people. While we support the direction of the proposed revisions, additional guidance is needed to understand and demonstrate how aspects of access restrictions could be overcome.

CSA

Access restrictions

We agree that restrictions to access to the component auditor's work presents significant challenges to a group audit. We believe that there should be greater guidance provided in the proposed amendments to help the auditor to determine how such access restrictions could be addressed by the auditor. In addition, ED-600 provides flexibility in allowing the group auditor to determine, using professional judgement, the level of documentation to include in the group audit file where there are access restrictions. We believe the documentation requirements should be strengthened when such access restrictions prevent an auditor from including component auditor's work in the group engagement file.

IAASA

Acceptance and Continuance

Paragraphs 16 and 17 in conjunction with paragraph A29 could be read that a discussion with the component auditor about the procedures performed is sufficient by itself for the group auditor to rely on those procedures to overcome restrictions on access to information or people. Similarly for entities accounted for using the equity method, paragraph A29 could be read that access restrictions might be overcome by considering information as the sole procedure. In our view these procedures alone do not satisfy the requirement to obtain sufficient appropriate audit evidence.

Paragraph 19 requires a confirmation from the component auditor about their willingness to cooperate with the group engagement team. We believe that the group engagement team should also be required to request the component auditor to confirm that it will conduct its work as directed by the group engagement team. Therefore, paragraph A35 should be mandatory and elevated to a requirement. Additional provisions are also needed to address scenarios where the component auditor is not able to confirm (full) cooperation, for example in cases where national law imposes restrictions on sharing audit documentation or certain data.

Paragraph 20 addresses ethics and independence related matters. We suggest including the requirement in paragraph 20(c) in paragraph 44 as it relates to communication by component auditors. We think that the confirmation from component auditors that the ethical requirements including those related to independence have been fulfilled should be obtained at the beginning of the audit as well as during the conclusion phase. We also suggest clarifying the link between paragraph 20 and the confirmation of compliance with ethical requirements including those related to independence in the corresponding application material. Further we

are of the view that the component auditors' confirmation of compliance with ethical requirements including those related to independence should be in writing.

Paragraph 21(b) should require, where the results of external inspections are not provided, the group auditor to request confirmation from the component auditor that there has not been a recent inspection or that there were no significant findings or recommendations arising from such an inspection. This would contribute to the assessment of the competency and capability of the component auditor by the group engagement partner as required by paragraph 21(a).

The level of involvement of component auditors should be determined by the group engagement partner at a sufficiently early stage to ensure proper communication and performance of procedures at component level. Before accepting the assignment, the group engagement partner also needs to take into account the requirements of the ISAs and the need for appropriate and timely planning and coordination. In the particular circumstances of late-appointment of the group auditor, and where the component auditors have already finalised their work on the statutory accounts of group entities, ED 600 should further emphasize (e.g. in paragraphs A21-25) that the group engagement partner shall decline the group audit assignment if the timeframe and completion date do not allow the group engagement team to gather sufficient and appropriate audit evidence as required, which may include additional work by the component auditors.

IRBA

With respect to the acceptance and continuance of group audit engagements, we support the enhancements to the requirements and application material in ED-600.

We recommend that in the case of a continuing engagement, as per paragraph 17(i) of ED-600, the IAASB should consider the role of those charged with governance in an effort to remove the barrier from restrictions on access imposed by group management before withdrawal from the engagement. This can be achieved by the IAASB requiring communication between the group engagement partner and those charged with governance (for example, the audit committee), regarding any restrictions on access imposed by group management. This is further complicated by the consideration of which auditor will take on the engagement in such a case, especially if it is a statutory audit.

In relation to paragraphs 18 and 19 of ED-600, we recommend that the IAASB includes guidance on group audit pre-engagement activities (acceptance and continuance) required and the relevant documentation in the case of a new group audit, as compared to an existing group audit engagement. This also extends to working with a new component auditor(s), as compared to an existing component auditor(s). Further guidance is required on the amount of work effort envisaged by the IAASB before acceptance of a new group audit engagement, as compared to the work effort during the group planning stage of an existing group audit engagement.

Although we acknowledge that the ISAs require an auditor to apply professional judgment, we submit that the use of the words "serious concerns" in paragraph 22 of ED-600 is too subjective and, as such, will not allow for a consistent approach to the requirement. We suggest that the IAASB defines or provides guidance as to what is meant by "serious concerns". In our view, a serious concern is a concern that cannot be mitigated or one that safeguards cannot address. An example of a serious concern would be a lack of independence or a history of poor quality results by a component auditor.

We further suggest that the IAASB separates the two concepts of independence and professional competence of the component auditor in paragraph 22 of ED-600. This is because the group engagement partner's concerns over competence can be overcome or mitigated by putting in safeguards, such as being

more involved in the work of the component auditor or by directly performing further audit procedures on the financial information of the component; whereas the group engagement partner's concerns over the independence of the component auditor cannot be mitigated/overcome. This is in line with paragraphs A47 and A48 of ED-600.

UKFRC

We recognise that there may be situations when management may not be able to facilitate auditor direct access to information or persons, such as when the group has a non-controlling interest in an entity that is accounted for by the equity method. In this regard we support the new application material in ED-600.A29 that offers practical advice to auditors as to how such restrictions can be overcome.

We support enhancing the requirement for the group engagement partner to determine whether sufficient and appropriate audit evidence can be obtained in the acceptance and continuance phase of the audit. This has the potential to deliver improvements to the auditor's consideration of matters that are relevant to the acceptance and continuance decision, including whether sufficient and appropriate audit evidence can be obtained.

We support the enhancements to the requirements and application material relating to acceptance and continuance and believe that ED-600 appropriately addresses restrictions on access to information and people. In our response to the ITC we supported the IAASB's view that ISA 600 should be strengthened in response to inspection findings that inadequate consideration was given by auditors in respect of access to evidence. We therefore support the enhancements that strengthen the links in ISA 600 to ISA 210 and ISA 705 (Revised) regarding access issues in relation to obtaining sufficient appropriate audit evidence.

We agree that it is fundamental that management acknowledge their 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 with the IAASB that greater prominence should be given to the requirements of ISA 210.6 in ED-600 including the requirement for the auditor to obtain agreement from group management that it will provide the auditor with unrestricted access to persons within the group (as set out in ED-600.15(c)).

4. National Auditing Standard Setters

AICPA

Determining if Component Auditors Have Sufficient Time to Perform Assigned Procedures

Paragraph 21(a) requires the group engagement partner in applying proposed ISA 220 (Revised) to "[d]etermine that component auditors have the appropriate competence and capabilities, including sufficient time to perform the assigned audit procedures at the component." Having sufficient time is not a subset of having competence and capabilities, accordingly, if this requirement is retained, we suggest the following edit to paragraph 21(a).

21(a) Determine that component auditors have the appropriate competence and capabilities, as well as including sufficient time to perform the assigned audit procedures at the component; and (Ref: Para. A41–A45)

To assist the auditor in complying with this requirement, the proposed standard should clarify how the group engagement partner determines whether component auditors have sufficient time to perform the procedures. Paragraph 21(a) of the September 2020 draft of proposed International Standard On Quality

Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, indicates that in assigning the roles identified in paragraph 20 of ISQM 1 (for example, responsibility and accountability for the system of quality management) “the firm shall determine that the individual(s) has the appropriate experience, knowledge, influence and authority within the firm, and sufficient time to fulfill their assigned responsibility...”

Quality management policies and procedures at the relevant firm would include policies and procedures designed to ensure that a component auditor who had been assigned audit procedures by the group engagement team would have sufficient time to perform the assigned work. We are uncertain about how the group engagement partner would determine whether the component auditor has sufficient time to perform the work without the burden of performing procedures that address adherence by the relevant firm to its quality management policies and procedures. Requiring the group engagement partner to inquire of the component auditors about whether they have sufficient time to perform the assigned work may also be of limited value because this would be a “point-in-time” inquiry.

Example of Involvement in the Work of Component Auditors

Paragraph 18 states “In applying proposed ISA 220 (Revised), the group engagement partner shall evaluate whether the group engagement team will be able to be involved in the work of the component auditor to the extent necessary to obtain sufficient appropriate audit evidence.” Paragraph A34 provides an example of what it means to be involved in the work of the component auditors, but it addresses only access to the component auditor (such as access to documentation) and whether audit evidence in another language will need to be translated. We suggest that the application material in paragraph A34 be expanded to indicate that involvement also extends to the ability to appropriately direct and supervise component auditors.

We do not have any observations specific to restrictions of access to information and people, however, please note the following response related to acceptance and continuance.

Required Understanding of Group to Identify Components and Determine Whether to Involve Component Auditors

Paragraph 13, which is under the heading “Acceptance and Continuance” requires, in part, that the group engagement team “obtain an understanding of the group that is sufficient to identify components and make a preliminary determination about whether to involve component auditors.” We question whether the group engagement team would have a sufficient understanding of the group at the acceptance stage of the audit to identify all the components. For that reason, we suggest that the word “preliminary” be inserted before the word “understanding” to indicate that this is only a preliminary understanding.

AUASB

Access

The AUASB acknowledges and supports the inclusion of enhancements to the requirements and application within ED ISA 600 in relation to access to people and information. We note however that some of the requirements and application material appear to only identify and acknowledge existing practical challenges rather than provide group engagement teams with appropriate guidance on how to overcome such restrictions. For example, the requirements and application guidance do not outline how the group engagement team is expected to apply sufficient and appropriate risk assessment procedures if the group includes equity accounted investments, where there are restrictions on access to information and people. The AUASB’s response to Question 7 in Attachment 1 to this letter provides further details.

Paragraph 23: With regard to engagement performance, we agree with paragraph A51 that the engagement circumstances should be considered when determining the nature, timing and extent of direction and supervision of component auditors and the review of their work. We recommend that paragraph 23 be expanded to include a requirement for the group engagement partner to consider engagement circumstances. This will direct due attention to paragraph A51.

The AUASB recognises the enhancements made by the IAASB in relation to access to information and people however the AUASB still raises concern with access issues particularly for entities that are not under the group's control. The AUASB raises the following matters for consideration:

Paragraph 15(c) of ED ISA 600 requires management to acknowledge and understand its responsibilities to provide the engagement team with unrestricted access to any person(s) within the group from whom the engagement team determines it necessary to obtain audit evidence. The AUASB is concerned that this requirement may not be able to be met in the case of group entities which are not controlled by group management. The AUASB suggests the words 'where possible' be included in paragraph 15(c). Alternatively, paragraph 15 could be reworded to commence as follows: "In applying ISA 210...shall obtain request the agreement".

While paragraph A29 provides guidance that when the group has a non-controlling interest in an entity that is accounted for by the equity method, the engagement team may be able to overcome restrictions by considering publicly available information. The AUASB questions the practicality of such guidance and whether the requirements of the proposed standard could be met. If access to necessary information and people is not provided or cannot be provided on a timely basis, the AUASB considers that the requirements of paragraph 42 of ED ISA 600 could not reasonably be expected to be met. The AUASB considers that the guidance contained in A29 may be contradictory to meeting the requirements of paragraph 42 of ED ISA 600. The AUASB recommends that the IAASB should provide further application guidance on how the group engagement team is expected to apply the requirements and guidance in ED ISA 600 in situations where there are restrictions on access. This approach of using publicly available information may only be viable for lower risk equity investments. This may be the intention of the standard but could be made clearer. The AUASB recommends that the proposed standard should address what is acceptable audit evidence, for the purpose of the group audit engagement in these situations.

CAASB

While we support the enhanced requirements related to identifying access restrictions, we believe some of the requirements in this section do not belong at the acceptance stage. We recommend the following changes.

Paragraph 19

Stakeholders are concerned that the phrase "confirm that the CA will cooperate" implies a written confirmation should be requested from the CA. It may not be possible to obtain such a confirmation at the acceptance and continuance stage if the CA has not been engaged. The level of formality of this confirmation should also be clarified, including whether it must be in writing or can be verbal. It is also not clear whether, and how, this requirement is impacted by factors such as previous experience with or knowledge of the component auditor. We suggest this requirement be revised.

Paragraphs 20 to 23

We believe paragraphs 20 to 23 should not be included under the heading Acceptance and Continuance. These requirements should be set out under different headings, consistent with how they are dealt with in other standards, such as ISA 220.

Paragraph 21(b)

Stakeholders questioned the intent behind the phrase “when information has been provided” in paragraph 21(b). Some stakeholders understood that the GET would be expected to ask the CAs to share any results of inspection reports but need not go further if the CA is unable or unwilling to provide requested information. Other stakeholders were concerned that the GET may be expected to take further steps to obtain this information if the CA does not provide the information, for example by requesting the information from regulators or other regulatory bodies. We doubt that such a requirement could be operationalized because there may be legal restrictions on information being communicated by regulators. We believe that paragraph 21(b) should not be a requirement because the GET may not be able to obtain this information. It is better placed in application material as an example supporting paragraph 21(a).

HKICPA

We are generally supportive on the enhanced requirements and application material addressing restrictions on access to information and people in a group audit engagement. However, we would like to have clarification regarding the following:

According to paragraph A29, the group engagement team may be able to overcome restrictions on access to information or people, for example, by considering publicly available information such as audited financial statements, public disclosure documents, or quoted prices of equity instruments in the non-controlled entity. However, ED-600 is not clear whether obtaining “publicly available information” itself is sufficient. In addition to obtaining “publicly available information”, it is not clear whether the group engagement team is still required to go through additional procedures or obtain further information. Consequently, we believe clarification is needed in this area.

According to paragraph A30, when the group engagement team cannot overcome restrictions on access to information or people, the group engagement team may communicate about the restrictions to the group engagement team’s firm, regulators, listing authorities, or others. We find the term “others” ambiguous and too broad for the group engagement team to determine who “others” might be, particularly for group audit engagements not involving listing authorities or industry regulators. We understand that it is difficult for the IAASB to provide a precise definition on “others” given the wide variety of group audits and jurisdictions ED-600 will be applied. Instead of using “others” as a “catch-all” phrase, we recommend the IAASB to clarify the role and functions of “others” for group engagement teams’ communication purposes, for example, whether “others” would be confined to appropriate stakeholders required by laws, regulations and contracts.

ICAI

Engagement Resources

21. In applying proposed ISA 220(Revised), the group engagement partner shall: (Ref: Para. A40)

(a) Determine that component auditors have the appropriate competence and capabilities, including sufficient time to perform the assigned audit procedures at the component; and (Ref: Para. A41–A45)

(b) When information has been provided about the results of the monitoring and remediation process or external inspections with respect to the component auditor's firm, determine the relevance of such information to the group audit and determine its effect on the group audit. (Ref: Para. A46)

Our Views:

As per paragraph 21(a), group auditor is required to make assessment of competence of component auditors. However, presently in India, such assessment of professional competence of component auditors is not required as component auditor has to be a member of the ICAI (As per Paragraph 11 of SA 600, Using the Work of Another Auditor).

IDW

We agree with the enhancements to the requirements and application material with respect to acceptance and continuance of group audit engagements, and with the treatment of restriction on access to information and people and ways in which group engagement team can overcome such restrictions – with one important exception, as discussed below.

Paragraph 42 in the draft correctly points out that audits that have been performed on the financial statements of an entity or business unit that is part of the group, the group engagement team can use such work as audit evidence for the group audit as long as the group engagement team evaluates that the conditions for use as audit evidence as described in paragraph 42 (a) to (c) of the draft have been fulfilled. In contrast, the application material on ways in which the group engagement team can overcome restrictions on access to information and people for entities accounted for by the equity method, as set forth in the second bullet of paragraph A29, appears to suggest that access to financial information about such entities, whether obtained through group management or publicly available information, would suffice.

The second bullet of paragraph A29 therefore undermines the requirement set forth in paragraph 42 of the draft that the group engagement team must have access to information about the audit procedures performed, the component materiality used for the audit, and about the competence, resources and independence of the component auditor. This is not as much of an issue for components that are not significant components as described in extant ISA 600, since the risks of material misstatement are likely to be lower for these, but it is critical for entities accounted for by the equity method that are significant components as described in extant ISA 600. As noted in our response to Question 8 below, the elimination of the concept of significant components will reduce audit quality considerably, and therefore the concept should be reintroduced. The situation described in our response to this question above indicates that without a required concept of significant components, audit quality will be reduced for significant components accounted for by the equity method. We therefore also believe that the guidance currently set forth in paragraph A15 needs to be reintroduced as application material to paragraph 42 of the draft.

Consequently, the application material in paragraph A29 of the draft needs to be revised and the concept of significant components as well as the guidance of paragraph A15 of extant ISA 600 reintroduced.

JICPA

Paragraph A29

We believe that the third sub-bullet (i.e., requesting the component auditor to prepare a memorandum) and the fourth sub-bullet (i.e., discussing the procedures performed) under the first bullet (i.e., when laws or regulations restrict sending relevant audit documentation across borders) are not appropriate examples because they do not enable audit documentation itself to be accessed.

Paragraphs 16 and 17

In the case of the restriction on access imposed by group management (paragraph 17), it refers to a disclaimer of opinion. However, in the case of the restriction outside the control of group management (paragraph 16), it only refers to considering the possible effects on the group audit, and does not refer to a disclaimer of opinion. In either case, both are circumstances where sufficient appropriate audit evidence cannot be obtained. Therefore, we suggest the following revisions to paragraph 16:

When there is a restriction on access, its effects on the group audit opinion should be considered, whether or not it is imposed by group management

Audit opinion should be modified, if necessary, after considering the effects

We support the enhancements to the requirements and application material.

KSW

Overall, we support the enhancements to the requirements and the application material. In the application material there is now detailed guidance in ED-600.A29 on how to deal with information restrictions for certain cases. These examples help to address this matter accordingly. On the other hand, there might be a contradiction with ED-600.42 and access to information and management may be particularly challenging in case of joint ventures and associates.

MIA

Access to information

Another challenge that is somewhat still common in a decentralised group structure is that the GET's access to information may be limited especially in an SSC situation. Further guidance on the sharing of information on a group audit will benefit those group audits involving an SSC.

External audit quality inspection results/reports of the component auditor

A further challenge to the GET may arise in obtaining an understanding of the component auditor if concerns regarding the quality of the component auditor exist, in particular, with respect to the limited access of information about external audit quality inspection. We would welcome further clarification on the extent of the required documentation and proposed source information for obtaining external inspection results/reports particularly those that are not publicly available as well.

With respect to the acceptance and continuance of group audit engagements, the AASB supports the enhancements to the requirements and application material and, in particular, the restrictions on access to information and people and ways in which the GET can overcome such restrictions. The differentiation between restrictions on access to information and people that are outside the control of group management and those that are imposed by group management is helpful to the GET.

Paragraph A34 states that in evaluating whether the GET will be able to be involved in the work of the component auditor to the extent necessary, the GET may obtain an understanding of whether the GET will have unrestricted access to the component auditor, including relevant audit documentation sought by the GET.

The language usage of “may obtain” an understanding of whether the GET will have unrestricted access to the component auditor makes it seem optional and not mandatory. There should be an understanding at the

outset as suggested by paragraphs 15 and A26, about the ability to have unrestricted access to the component auditor.

The AASB also recommends additional guidance for situations where the GET is unable to obtain sufficient appropriate evidence which may give rise to tension between not accepting an engagement at the onset and accepting the engagement with potential legal risks.

While we acknowledge the enhancements to the application material, we believe that there would be continuing challenges arising from restriction of access to information of equity-accounted components. Therefore, we recommend that additional guidance and examples be provided regarding restriction on access to information and people with an emphasis on challenges related to equity-accounted components.

NZAuASB

The NZAuASB supports the approach in ED-600 to differentiate between restrictions on access to information and people that are outside the control of group management and those that are imposed by group management. The NZAuASB also notes that restrictions on access imposed by management are not unique to group audits, and that paragraph 7 of ISA 210 specifically addresses such situations, including the required responses from the auditor. Such instances of management-imposed restrictions are generally referred to as a “management-imposed limitation” in ISA 210 and ISA 705. It may be helpful to adopt this terminology in ED-600 as well. Accordingly, the NZAuASB suggests the following changes to paragraphs 16 and 17 of ED-600:

Restrictions on Access Outside the Control of Group Management

16. If the group engagement partner concludes that group management cannot provide the engagement team with access to information or unrestricted access to persons within the group due to restrictions that are outside the control of group management, the group engagement partner shall consider the possible effects on the group audit. (Ref: Para. A27–A32):

Whether and to what extent the group engagement team can overcome the effects of such restrictions on access to information or people (ref: paragraph A27-A29); and

the possible effects on the group audit of being unable to do so (ref: paragraph A30-A32).

Limitation of Scope imposed by Group Management

17. If the group engagement partner concludes that: (a) It will not be possible for the group engagement team to obtain sufficient appropriate audit evidence due to restrictions imposed by group management; and (b) The possible effect of this limitation will result in a disclaimer of opinion on the group financial statements, the group engagement partner shall either: (i) In the case of a new engagement, not accept the engagement, or, in the case of a continuing engagement, withdraw from the engagement, where withdrawal is possible under applicable law or regulation; or (ii) Where law or regulation prohibit an auditor from declining an engagement or where withdrawal from an engagement is not otherwise possible, having performed the audit of the group financial statements to the extent possible, disclaim an opinion on the group financial statements. (Ref: Para. A31–A33)

17. In applying ISA 210, If group management impose a limitation on the scope of the group engagement team’s work in the terms of a proposed group audit engagement by restricting access to information or people, such that the group engagement partner believes the limitation will result in the group auditor disclaiming an opinion on the group financial statements, the group engagement partner shall not

accept such a limited engagement as an audit engagement, unless required by law or regulation to do so. (refer para A31-A33)

The NZAuASB supports including additional guidance to help group auditors overcome restrictions not imposed by group management. However, the NZAuASB believes that the guidance in paragraph A29 on alternative approaches to address access restrictions relating to non-controlling interests in a component (e.g. equity method accounted-for investments) needs further clarification. For example, it may be helpful to clarify that the group auditors need to apply their professional judgement to evaluate whether the suggested actions mentioned in this paragraph (such as using information that the entity might have gathered, or using publicly available information) are adequate to offset the impact of lack of access.

It may also be appropriate to remind the group auditor that such judgements are influenced by the associated risk of material misstatement and the sufficiency and appropriateness of available evidence to reduce the risk to an acceptably low level. The examples given in paragraph A29 of actions to overcome access restrictions in non-controlling interests seem only appropriate for low risk equity investments, and it may be prudent to clarify this.

Finally, as noted by the IAASB and the ISA 600 Task Force, access issues for entities that are not under the group's control (e.g. associates accounted for using the equity method of accounting) are likely to continue to be a challenge in practice, and the NZAuASB acknowledges that it will not be practical for an auditing standard to address all these challenges. But it is important for the IAASB and the Task Force to continue the conversation on these issues, so that the final standard can address the practical challenges as far as it is possible to do so, with an eye also to implementation guidance once the standard have been issued

5. Accounting Firms

BDO

We appreciate the acknowledgement of the issue of access restrictions, including the distinction between access restrictions to information and people outside the control of group management and those imposed by group management, as well as the application guidance on overcoming such restrictions. However, even with the enhancements to the application material, we believe that there will be continued challenges arising from restrictions on access to information particularly for equity-accounted investments.

We recommend additional guidance and examples regarding restrictions on access to information and people with an emphasis on challenges related to equity-accounted investments. We would support this additional guidance being presented outside of the ISA by way of an IAASB Staff Alert in order that more practical examples or scenarios can be outlined.

We generally support the enhancements to the requirements and the application material with respect to the acceptance and continuance of group audit engagements.

BT

Yes. Further clarification should be given, for example where a component auditor has “reasonable policies” not to transfer working papers outside of their jurisdiction or to provide electronic copies of working papers outside of their jurisdiction. This should not be viewed as a limitation of scope provided that the component auditor undertakes best efforts to make working papers available to the group auditor within their jurisdiction.

Such reasonable policies might be needed to comply with local data protection rules, or other local law. To qualify as a “reasonable policy” it may be appropriate, for example, to set an expectation that these restrictions would apply equally whether the component auditor was a member of the group auditor’s network or not.

Where the group has a non-controlling interest in an entity but the auditor is not allowed access to audit documentation of that entity paragraph A29 as written could give the impression to group management that the group auditor should be satisfied just by performing some of the suggested procedures, such as considering publicly available information. This might lead to situations where the group auditor is pressured to accept a lower standard of evidence than would otherwise be acceptable. We recommend that the second bullet of paragraph A29 be revised with the bold text to read: “Where the group has a non-controlling interest in an entity that is accounted for by the equity method, the group engagement team may be able to overcome restrictions by applying alternative procedures which might include some or all of the following:...

CG

We agree with the determination of that component auditors have the appropriate competence and capabilities to perform the assigned audit procedures (ED-600, 21a). We observe that assessing “sufficient time to perform” may be challenging to apply in practice. We would welcome the inclusion of a specific paragraph in the Application Material to address the subject of assessing “sufficient time”.

DTT

DTTL is supportive of the enhancements to the acceptance and continuance requirements and application material; however, DTTL does believe that further enhancements and clarifications are needed as follows:

Paragraph 13

DTTL does not believe that the group engagement team will have a sufficient understanding when accepting an audit engagement to identify components (i.e., a location, function or activity determined by the group engagement team for purposes of planning and performing audit procedures in a group audit), especially if the overall group audit strategy and group audit plan have yet to be formalized. DTTL notes that while a preliminary identification of components is likely, the group engagement team would need to have a more detailed understanding of the group in order to identify all the applicable components where audit procedures will be performed. DTTL recommends the following edits to paragraph 13 of ED-600:

13. The group engagement partner shall determine whether sufficient appropriate audit evidence can reasonably be expected to be obtained to provide a basis for forming an opinion on the group financial statements. For this purpose, the group engagement team shall obtain an understanding of the group that is sufficient to make a preliminary identify identification of components and make a preliminary determination about whether to involve component auditors.

Paragraph 16 and the related application material

The application material in paragraph A29 of ED-600 states that a group engagement team may overcome restrictions on access to information or people when the group has a non-controlling interest in an entity that is accounted for by the equity method by considering publicly available information such as audited financial statements. It is unclear whether paragraph A29, in the context of the standard as a whole, means that the auditor may therefore use those publicly available audited financial statements as the primary, or sole, source of audit evidence for the related balances recorded by the group with respect to the non-controlled entity. As a practical matter, DTTL believes that flexibility needs to exist for obtaining sufficient appropriate

audit evidence in situations where different ownership structures of an entity or affiliate of a group exist (e.g., an equity method investment, or fund that is part of an investment company as defined by U.S. GAAP), and that in certain cases publicly available audited financial statements, along with an understanding of the auditor of those financial statements, provides sufficient appropriate audit evidence.

Paragraph A30 of ED-600 indicates that in certain circumstances it may be appropriate for the group engagement team's firm to communicate with regulators, listing authorities, or others, about restrictions. DTTL agrees with the intention of this application material, however, it is unclear as to what the expected outcome of these communications is and why this is relevant or useful; for example, is the expectation that such communications would result in a regulator easing restrictions? Without additional guidance on the purpose of these communications, the usefulness or relevance of this guidance to a group audit is questionable, and deletion is therefore advisable. However, if this paragraph is maintained, DTTL believes that the application material should be enhanced to indicate that where appropriate, these communications should occur in conjunction with the component auditor's firm so as not to cause any unintended negative consequences in the jurisdiction of the component auditor's firm without the awareness of such firm. DTTL recommends the following:

A30. When the group engagement team cannot overcome restrictions, the group engagement team may communicate about the restrictions to the group engagement team's firm. The group engagement team's firm may communicate with regulators, listing authorities, or others, about the restrictions and may encourage group management to communicate with regulators. Prior to making such communication, the group engagement team's firm may discuss the matter with the component auditor's firm. This may be particularly useful when restrictions affect multiple audits in the jurisdiction or by the same firm, for example, because of war, civil unrest or outbreaks of disease in a major economy.

Paragraph 18 and the related application material

DTTL believes at the acceptance and continuance stage of the audit, it is appropriate for the group engagement partner to make a determination about the future ability of the group engagement team to be involved in the audit. Paragraph 18 of ED-600 references proposed ISA 220 (Revised), which is related to the execution of the audit, yet decisions on acceptance and continuance have not yet been made. Further, the footnote reference to proposed ISA 220 (Revised) relates to a requirement that addresses "Leadership Responsibilities for Managing and Achieving Quality on Audits." DTTL believes paragraph 18 of ED-600 should reference and build on the requirement in paragraph 13 of ED-600, as well as the objective in paragraph 8(c) of ED-600. DTTL therefore recommends edits to the paragraph to address these matters as follows:

18. In applying proposed ISA 220 (Revised) As part of the determination in paragraph 13, the group engagement partner shall evaluate whether the group engagement team has the ability to be sufficiently and appropriately will be able to be involved in the work of the component auditor to the extent necessary to obtain sufficient appropriate audit evidence.

DTTL believes that the application material should provide guidance in instances in which the component auditor is unable or unwilling to cooperate with the group engagement team as requested. DTTL believes that in such instances the component auditor should provide the reason for the lack of cooperation, including if there are specific areas or aspects of the request that the component auditor is unable to comply with. Further, DTTL believes that if the component auditor is unable to cooperate due to an existing law or regulation in effect in a jurisdiction, it is prudent to provide the information to the group engagement team as part of the two-way communication between members of the engagement team such that

the group engagement team can take the appropriate action, and if necessary, adjust the request accordingly. In instances in which the component auditor is unwilling or unable to cooperate, the group engagement team may need to perform the work without involving that component auditor. DTTL recommends the following edits to paragraph A35 of ED-600:

A35. When requesting the component auditor to confirm that the component auditor will cooperate with the group engagement team, the group engagement team may also request the component auditor to confirm that it will conduct its work as directed by the group engagement team. Where the component auditor is unable or unwilling to cooperate with the group engagement team, the group engagement team may request the component auditor to provide additional details regarding the lack of cooperation, including if such action is as a result of restrictions imposed by a law or regulation. In such circumstances, the group engagement team may be able to take appropriate action to address the matter, including adjusting the nature of the request. Where the component auditor is unable or unwilling to cooperate, the group engagement team may need to obtain sufficient appropriate audit evidence without involving that component auditor.

Paragraph 20 and the related application material

DTTL has noted that paragraph 17 of proposed ISA 220 (Revised) states the “engagement partner shall take responsibility for other members of the engagement team having been made aware of relevant ethical requirements that are applicable ...” There is no reference to a “determination” as required by paragraph 20(a) of ED-600. DTTL recommends that the wording in paragraph 20(a) in ED-600 be aligned to the wording in paragraph 17 of proposed ISA 220 (Revised). In addition, DTTL proposes amending the wording in paragraph 20(b) of ED-600 for clarity such that the group engagement team is not obtaining an understanding about the component auditors related understanding, which DTTL believes is confusing as currently drafted.

DTTL agrees that the communication of the confirmation from the component auditors outlined in paragraph 20(c) of ED-600 should occur prior to the dating of the auditor’s report; however, it is also important that if the component auditor is unable to comply with the relevant ethical requirements, or there is an impairment related to independence during the performance of the component auditor’s work, that these matters are communicated timely to the group engagement partner. This will allow the group engagement partner sufficient time to appropriately address and resolve the matter. DTTL recommends the following amendments to paragraphs 20 and A38 of ED-600:

In applying proposed ISA 220 (Revised), the group engagement partner shall take responsibility for: (Ref: Para. A36–A39, A111)

Determining that Communicating with the component auditors have been made and making such component auditors aware of relevant ethical requirements that are applicable given the nature and circumstances of the group audit engagement;

Obtaining an understanding about Confirming whether the component auditors understand and will comply with the ethical requirements that are relevant to the group audit engagement and, in particular are independent; and ...

A38. Proposed ISA 220 (Revised) requires the engagement partner to remain alert throughout the audit engagement, through observation and making inquiries as necessary, for actual or suspected breaches of relevant ethical requirements by the engagement team. Becoming aware of actual or suspected breaches of relevant ethical requirements may be more challenging in a group audit, particularly where component

auditors do not use common network services. In such circumstances, the group engagement team may also instruct component auditors to communicate relevant information timely to the group engagement partner, such that the group engagement partner has sufficient time to respond and address the actual or suspected breach.

Paragraph 21 and the related application material

The sub-bullets in paragraph 21 should be reflected as two separate requirements to follow the layout in proposed ISA 220 (Revised) — specifically paragraphs 25 and 26. Further, DTTL believes that the determination related to the monitoring and remediation process or external inspections with respect to the component auditor's firm may inform the assessment of the appropriateness of the component auditor's competencies and capabilities. As such, ED-600 should be drafted to reflect this as a determining factor to take into account with respect to the group engagement partner's assessment of the component auditor's competence and capabilities. Refer to the following edits. The related application material would also be moved and renumbered accordingly.

DTTL also believes that the guidance in paragraph A48 of ED-600 is better placed cross-referenced to paragraph 21(a) of ED-600, as the considerations in the application material directly affect the group engagement partner's determination of the competence and capabilities of the component auditor. DTTL also noted that the application material references the group engagement team and proposes that this be amended to the group engagement partner as required in paragraph 22 of ED-600. DTTL recommends that paragraph A48 of ED-600 be amended, moved, and renumbered as noted below.

21. In applying proposed ISA 220 (Revised) [insert footnote reference], the group engagement partner shall; (Ref: Para. A40)

Determine that component auditors have the appropriate competence and capabilities, including sufficient time to perform the assigned audit procedures at the component; and (Ref: Para. A41–A45)

NOTE: Text moved below to new paragraph 21A.

When information has been provided about the results of the monitoring and remediation process or external inspections with respect to the component auditor's firm, determine the relevance of such information to the group audit and determine its effect on the group audit. (Ref: Para. A46 A40)

Footnote: Proposed ISA 220 (Revised) paragraph 25.

21A. In applying proposed ISA 220 (Revised) [insert footnote reference] and taking into account the determination in paragraph 21, the group engagement partner shall: (Ref: Para. A40)

Determine that component auditors have the appropriate competence and capabilities, including sufficient time to perform the assigned audit procedures at the component; and (Ref: Para. A41–A45A47)

When information has been provided about the results of the monitoring and remediation process or external inspections with respect to the component auditor's firm, determine the relevance of such information to the group audit and determine its effect on the group audit. (Ref: Para. A46)

Footnote: Proposed ISA 220 (Revised) paragraph 26.

A48. A47. However, the group engagement team partner may be able to overcome concerns that are not determined to be serious about the component auditor's professional competency (e.g., lack of industry specific knowledge), or the fact that the component auditor does not operate in an environment that actively

oversees auditors, by the group engagement team being more involved in the work of the component auditor or by directly performing further audit procedures on the financial information of the component.

Paragraph 22 and the related application material

DTTL believes that the requirement in paragraph 22 of ED-600 should not refer to the determination by the group engagement partner in paragraphs 21(a) or (b) of ED-600, as the determination in paragraph 21 of ED-600 would already have encompassed any concerns, serious or otherwise, and the resulting impact on the use of the component auditor to perform the requested work at the component.

Paragraph 23 and the related application material

DTTL believes that the specific example in paragraph A51 (second bullet) of ED-600 as it pertains to the competence and capabilities of the component auditor should be enhanced to address situations where “greater in-person supervision” is not practicable. DTTL recommends the following wording amendment:

A51. ...

The competence and capabilities of the component auditors performing the audit work. For example, if the group engagement team has no previous experience working with a component auditor, the group engagement team may communicate more detailed instructions, or introduce greater in-person supervision, increase the frequency of check-ins or discussions with component auditors, or assign more experienced group engagement team members to oversee of the component auditor as the work is performed. ...

GT

The extent of the responsibilities that the engagement partner will now be required to personally perform. Whilst we acknowledge that ISA 220 (Revised) has bifurcated the engagement partner responsibilities between those that the engagement partner is personally required to perform and those that the engagement partner is required to take responsibility for (that is, can delegate the performance to other team members), our view continues to be that the extent of requirements that the engagement partner is required to personally perform is too extensive to be fulfilled by the engagement partner in a large multi-location group audit.

Fulfilling the requirements of the proposed standard from outside of the network. We raised concerns that ISA 220 (Revised) does not include sufficient emphasis and guidance on the fulfilment of the requirements therein, when a firm that is not part of the same network is used to perform procedures in support of the audit opinion. This concern is increased for a group audit engagement, where the use of auditors from firms other than that of the group engagement team’s network is more prevalent.

Application guidance on how to adapt and apply these requirements in ISA 220 (Revised) will be essential to the implementation of the proposals in ED-600. Two examples of the application guidance recommended would be guidance, including illustrative examples, around how the group engagement partner may fulfil the requirements of the proposed standard where the component auditor is from a firm other than the group engagement team’s network; and guidance, including illustrative examples, of how the group engagement partner may select which of the component auditor’s working papers would be subject to review. An illustrative example could indicate that the group engagement partner, based on a review of the component auditor’s completion memorandum, uses professional judgment to select the component auditor’s working papers to be reviewed in support of significant matters reported in the completion memorandum.

We generally support the enhancements to the requirements and application material in determining whether it is appropriate to accept or to continue an engagement to audit the financial statements of a

group. However, it is important to recognise that there are restrictions on access to information and people that cannot be addressed by means of enhancements to auditing standards.

We also note that paragraph 19 of ED-600 requires that the group engagement team request confirmation from component auditors that they will cooperate with the group engagement team. We are of the view that this requirement may be difficult to comply with at the acceptance or continuance stage of an audit. In many instances, the component auditor may not have been identified or engaged to perform the audit of the component at this stage. As such we recommend that this requirement be amended to require the group engagement team to 'consider' whether the component auditor will cooperate with the group engagement team.

Paragraph 21(b) of ED-600 requires the engagement partner to determine the relevance to the group audit of information provided about the results of external inspections with respect to the component auditor's firm. We are of the view that further clarity is required as to what is intended by 'information provided.' For example, it is not clear whether this is imposing a duty on the group engagement partner to actively seek such information or whether it only requires the engagement partner to use such information if the engagement partner 'becomes aware' of its existence through other means. This could be achieved either through an amendment to the requirement itself or application material to explain the intent of 'information provided.'

Further, as noted in our comment below, clarity is needed in relation to what is required to be retained in the group engagement team's engagement documentation with respect to the component auditor. Such requirements could have a direct impact on the ability to use a component auditor, especially in certain jurisdictions where restrictions in access to working papers are common. We are of the view that a quality audit can be achieved, and that appropriate direction, supervision and review of working paper can be demonstrated through establishing appropriate minimum documentation retention requirements. We recommend that consideration is given to the requirements in the PCAOB standard on documentation in this respect.

MAZ

We generally support the guidance that is included in ED 600.

However, where there is no access to financial or other information on a specific component, the ED ISA 600 does not mention whether the materiality of the component would impact on the decision to accept or continue the engagement at group level. Ultimately the guidance links to ISA 705 regarding scope limitations. We believe that the potential challenges around access to information and people posed by a complex group audit warrants specific application guidance.

MAZUSA

Other Matter 3 – Engagement Resources: Paragraph 21(a) imposes a requirement for the group engagement partner to "determine that component auditors have the appropriate competence and capabilities, including sufficient time to perform the assigned audit procedures at the component...".

As it relates to "sufficient time", we note that the ISQM 1 includes a requirement in paragraph 38(b) that "the firm assigns an engagement partner and other human resources to each engagement who have appropriate competence and capabilities, including being given sufficient time, to consistently perform quality engagements." It is not clear how the group engagement partner could "determine" such information beyond inquiry of the component auditor. As such, we believe that it is more appropriate to rely on the

proposed requirement in ISQM 1, with an expectation that component auditors will not accept an engagement for which they cannot dedicate sufficient time, and remove “...including sufficient time to perform...”.

As it relates to “appropriate competence and capabilities”, we broadly agree with requiring the group engagement partner to evaluate component auditors to assess if they have the ability to perform the requested procedures. We believe that the matters to consider in paragraph A42 are a good representation of information sources to make the assessment.

Paragraph A43 addresses procedures to determine the competency and capabilities of the component auditor. It includes in the first bullet examples of information that may be obtained from the group engagement team’s firm. The second sub-bullet then discusses component auditors from the same network. It is not clear why the group engagement team’s firm would necessarily have information on monitoring activities of other network firms.

In addition, both the group engagement team’s firm and other network firms may be able to provide information beyond monitoring and remediation. For example, detail information on the experience, current or past clients, training, evaluations, areas of expertise, licensure, etc. of the senior component auditor team may also be obtainable which could be supportive of the required assessment. We would recommend including such information in the example procedures.

Paragraph 22 requires the group engagement partner to come to a summary conclusion on, among other things, the competence and capabilities of the component auditor. It indicates that if the “group engagement partner has significant concerns...the group engagement team shall obtain sufficient appropriate audit evidence relating to the work of the component without involving that component auditor”. We believe that the term “significant” is open to interpretation and therefore will result in disparity in practice. Additionally, we believe that the group engagement team should be able to determine if acceptable safeguards can be implemented to mitigate the concerns. For example, if the group engagement partner of the audit of a bank determined that the component auditor did not have sufficient banking industry experience, the group engagement partner may decide to supplement the component audit team with a group engagement team member to address this concern. It is unclear from the proposed standard as written whether such concerns represent a “serious concern” as described in paragraph 22 and whether it can be mitigated such that the group engagement team would be able to continue to use the component auditor to support the group.

As a result, we recommend that paragraph 22 only refer to the matters in paragraphs 18 -20”. Additionally, we recommend deleting the word “serious” from paragraph 22.

Other Matter 4 – Access Limitations: Paragraph A113(d) acknowledges there may be limitations on the nature, timing and extent of the group engagement team’s review of the component auditor’s audit documentation. Strict access limitations can be often imposed by country regulation. Additional guidance on acceptable procedures to address regulatory limitations would aid the auditor in determining the approach for components in such jurisdictions.

In our experience, communications of the results of such procedures impacting the component auditors are frequently not provided. As the results of these procedures can impact the component auditor’s judgement of the nature and extent of procedures to perform in order to comply with the group instructions, we believe that complete and transparent communication of such matters should be required,

Response: We generally support the requirements that are included in ED-600 with respect to acceptance and continuance of group audit engagements.

However, when there is limited or no access to financial or other information on a specific component, ED-600 does not mention whether the materiality of the component would impact the decision to accept or continue the engagement at the group level. We believe that the potential challenges around access to information and people posed by a complex group audit warrants additional application material in this area.

MNP

Paragraph 21 (b) of ED-600 requires that when information has been provided about the results of the monitoring and remediation process or external inspections with respect to the component auditor's firm, the group engagement partner shall determine the relevance of such information to the group audit and determine its effect on the group audit.

We expect that there will be challenges with obtaining the results of the monitoring and remediation process or external inspections with respect to component auditors' firms. We note that there is no obligation for component auditors to provide this information to the group engagement team, and typically these reports are confidential or only limited information is available publicly. Further, it may be especially challenging to obtain this information regarding component auditors in foreign jurisdictions, where additional restrictions on access to information may exist.

We believe additional guidance on the expected nature and extent of procedures relating to information about the results of the monitoring and remediation process or external inspections with respect to the component auditor's firm should be provided.

Yes, we support the enhancements to the requirements and application material with respect to the acceptance and continuance of group audit engagements, and we believe that ED-600 appropriately addresses restrictions on access to information and people and ways in which the group engagement team can overcome such restrictions.

NEXIA

Yes, agree that it addressed the matter of restrictions.

Recommendation: One of the steps to highlight should be to consider whether the financial statement item that was subjected to the service is material to the group financial statements.

With the Covid-19 pandemic, there are restrictions in physical access to documents and travel restrictions, which leads to increased restrictions on access to information and people. In practice, auditors are working on overcoming these physical restrictions through digital technology.

Against this backdrop, it would be helpful if ISA 600 can provide more guidance on the extent of reliance on audit evidence provided from remote via the use of technology, as well as the documentation requirement for such audit evidence gathered, to ensure that audit quality is not compromised during the use of digital technology to perform audit.

With respect to the acceptance and continuance of group audit engagements, we support the enhancements to the requirements and application material. While ED-600 cannot be expected to anticipate every situation, we believe ED-600 appropriately addresses various restrictions on access to information and people and ways in which the group engagement team can overcome such restrictions.

We suggest the amendments to paras A26-A27 relating to restrictions on access to information or people ("the firm may communicate with regulators, listing authorities, or others, about the restrictions (e.g., the

group engagement team's firm may ask a listing authority for a different filing date) and encourage group management to communicate with regulators) are not particularly helpful.

We believe that the laws within various jurisdictions will generally take precedent over this standard, therefore while we believe the enhancements are helpful, other considerations will be taken into account in practice.

United Kingdom 2

United Kingdom 1

The requirements in paragraph 20 relating to independence considerations are particularly important given the divergence of Ethical Standards and it is necessary for component auditors to understand the Ethical Requirements that are relevant to the group audit. It is helpful that this issue is further addressed in paragraph 42 where the group engagement team relies on work performed for another purposes. In the UK it may be necessary to consider the references to the IESBA Code of Ethics in paragraph A39 compared to the same provisions under the FRC's revised Ethical Standard 2019. Is it necessary to refer directly to the IESBA code on this matter? The guidance on overcoming restrictions on access to information and people is helpful. From a smaller audit firm perspective, it may often be more difficult to overcome such restrictions on the release of work papers outside of network firms which can therefore be prohibitive in allowing smaller firms access to cross-border groups.

SOUTH AFRICA

Restrictions on access are not something that auditing standards can solve. In our view, ED-600 provides sufficient guidance on how to address and overcome restrictions in relation to access to people or information at components.

HONG KONG

g) Responsibilities of assessing the competency of a component auditor

In case if the component auditor is in the same regulatory regime or following the same standards with the group auditor, it should allow the group audit engagement team to place sufficient reliance on their works and correspondingly also reduce the assessment of their competency.

f) Communication restrictions on access to information or people

- According to ED600 (Revised) paragraph A30, when the group engagement team cannot overcome restrictions on access to information/people, the group engagement team may communicate about the restrictions to the group engagement team's firm, regulators, listing authorities or "others".

- The "others" in A30 is ambiguous and may be too broad for the group auditor to determine who "others" would be.

AUSTRALIA/NEW ZEALAND

Paragraph 21 b appears to have been elevated from the application guidance to the main standard. Does this mean that information about monitoring and remediation and external inspections should be requested for all component auditors? This information is not publicly available for all audit firms in the UK and is not routinely requested either of component auditors outside of the UK or where UK auditors are acting as component auditors. Can this be clarified?

United states 1

United States 2

SINGAPORE

PKF

With respect to the acceptance and continuance of group audit engagements, we support the enhancements to the requirements and application material and, in particular, that ED-600 appropriately addresses restrictions on access to information and people and ways in which the group engagement team can overcome such restrictions.

In addition to our support, we note these additional comments for consideration by the taskforce:

Paragraph 21 (b):

The requirement starts with the word “when”. This implies that only if the component auditor has provided such information regarding the results of monitoring and remediation process or external inspections, then only would the group engagement partner consider its effect on the group audit. As it reads, this is better placed as application material and not a requirement. Increasingly, in practice, group engagement partners are concerned with the assessment of component firms, especially when the component firms are outside its network or where there are weak regulatory or oversight body's. If the taskforce considers this a requirement, it might be necessary to provide educational material on the form and content of monitoring and remediation results being mindful not to promote or facilitate anti-competitive behavior.

Paragraph 23:

The matters that the group engagement partner takes into account when taking responsibility for the nature, timing and extent of direction and supervision of component auditors, and the review of their work seem to be conditional if both factors are met i.e. higher assessed risk or significant risks and, significant judgements. We believe that these should not read as a collective condition but rather as three separate elements and that the group engagement partner should take responsibility for areas of higher assessed risks, significant risks or significant judgement by either the auditor or management. Further, the application material should remind the group engagement partner that these are group audit risk areas as they relate to the component.

PwC

Drawing a distinction between access restrictions imposed by management, and those that are outside of management's control, is helpful. While both require careful consideration by the group engagement team with respect to engagement acceptance or continuance of the engagement, each has different and/or additional considerations and potential consequences.

With respect to paragraph 15(b), we believe there may be practical challenges in seeking group management's agreement that they are responsible for providing additional information that the engagement team has requested from component management. We recommend amending (b) to simply state “additional information that the engagement team determines is relevant for purposes of the group audit”.

RSM

Yes, we support the enhancements.

We particularly welcome paragraph A27 which reinforces responsibilities of the group engagement team to obtain sufficient, appropriate audit evidence. Paragraph A29 provides useful and practical guidance for overcoming restrictions on access to information or people, however we believe that further application guidance on the extent of information required for equity accounted investments would be useful.

6. Public Sector Organizations

AGA

ED-600.20(c) states that the group auditor shall receive “prior to dating the auditor’s report . . . confirmation from the component auditors that the ethical requirements . . . including those related to independence, have been fulfilled.” This would not be on a timely basis and would be too late if an independence threat or prohibition were identified. Confirmation of independence should be received by the group auditor prior to the component auditor completing any execution work on the audit (confirmation of independence should be included as part of planning). Further confusion is created by the fact, ED-600.20 is included under the “Acceptance and Continuance” section. Due to fact it is included under this section, is the group auditor required to receive two confirmations from the component auditor? One before the acceptance of the engagement and one “prior to dating the auditor’s report”?

Overall I support the requirements of acceptance and continuance included in ED-600, however see the response provided to questions 1(b) when the component auditor and group auditor are not part of the same firm or associated firm.

AGC

Yes, there are other matters we would like to raise in relation to ED-600.

Paragraph 21 (b) states “When information has been provided about the results of the monitoring and remediation process or external inspections with respect to the component auditor’s firm, determine the relevance of such information to the group audit and determine its effect on the group audit”. This conditional requirement may have limited impact since component auditors may not be open to sharing the results of their monitoring and remediation process when they have significant issues.

Yes, we support the enhancements to the acceptance and continuance of group audit engagements requirements and application material. The restrictions on access to information is now distinctly presented between restrictions outside the control of group management or restrictions imposed by group management. This clear distinction is valuable and makes the application of the standard clearer.

We find that the specific example about overcoming restrictions for a non-controlling interest in an entity that is accounted for by the equity method could be improved. The specific example does not mention involvement in the work of the component auditor. This could lead a user to believe involvement in the work of the component auditor is not required. Extant ISA 600 paragraph A15 provides an example of a component that is accounted for by the equity method. The example is quite specific about the obligation to be involved in the work of the component auditor. It also mentions that it could be acceptable to not be involved when the component is not significant for the group. We believe the same guidance could be added to the example in the ISA 600 (Revised) to avoid misinterpretation.

AGM

With respect to the acceptance and continuance of group audit engagements, we agree with the improvements of requirements and application material.

However, we believe that some paragraphs, such as paragraphs 19 and 21, will be difficult to apply when two separate accounting firms or more will be involved in the group audit. For example, it will be difficult even before accepting the engagement, to obtain confirmation from component auditors that they will collaborate and determine they will have sufficient time to implement audit procedures they were assigned to.

AGO

We agree that the auditor should perform an assessment of possible restriction on access at the acceptance and continuance stage of the audit. However, the guidance should clearly state that this assessment does not diminish the component auditor's professional obligation to provide a timely and accurate response. See our introductory comments.

AGSA

In terms of paragraph A29 (bullet no.2) of ED-600:"if the group has representatives who are on the executive board or are members of those charged with governance of the non-controlled entity, discussion with them regarding the non-controlled entity and its operations and financial status may be a useful source of information"

Discussing with group management's representatives who are on the executive board or are members of those charged with governance of the non-controlled entity will not result in sufficient appropriate evidence in instances where the group management are restricted from also accessing underlying records supporting the financial statements used by the group management to prepare the financial statements. The discussions would still need to be corroborated with other reliable evidence. Where restrictions are imposed and the component's financial statements are not audited by an independent auditor, the group engagement team will be unable to obtain sufficient appropriate audit evidence.

7. Member Bodies and Other Professional Organizations

AE

We welcome the fact that ED-600 acknowledges this significant issue and urges auditors to consider potential implications in advance during the acceptance and continuance stage. We also agree that the implications of restrictions imposed by management and the ones outside their control should be distinguished and in any case the auditor's objective would be to obtain sufficient appropriate audit evidence.

We acknowledge that issues regarding accessibility cannot be overcome by an auditing standard. Hence the IAASB's mandate is limited and some operational aspects will eventually be solved depending on the circumstances of the local jurisdiction.

Nevertheless, the IAASB should work with stakeholders to better understand what "access" means considering today's evolving technologies. Based on this understanding, implementation guidance on how to deal with restrictions should be developed - for example, in the case of joint ventures and associates where access to information and people may be particularly challenging.

We also strongly agree that options to address accessibility should not be at the expense of audit quality.

CAANZ-ACCA

We are generally supportive of the enhancements made to the requirements and application material. However, according to the feedback we received, there are concerns over the access to associates and joint ventures where group management may not have control. We therefore suggest that more explicit guidance should be provided over and above what is currently included in paragraph A29.

Furthermore, some practitioners felt that the standard needs to provide additional guidance and flexibility to assist auditors dealing with components in jurisdictions where local regulations impose restrictions to non-residents. Such circumstances create issues such as accessing data, challenging component auditor judgements, producing working papers to satisfy regulators in the group auditor's jurisdiction, dealing with translations and others. Paragraphs 16 and 17 as currently drafted lead the auditors to having to disclaim their opinion where these matters cannot be resolved. We therefore believe that it would be useful to provide additional guidance to assist auditors addressing these issues where it may be possible to do so.

Feedback received also suggests that more guidance should be developed or be included in ED-600, in respect of access of client files, similar to the alternative procedures under ISA 501 in respect of physical stocktake. This would be very helpful for practitioners if countries' lockdown situation recurs in the future due to Covid-19 or any other reason.

CAQ

Engagement Resources – Competence and capability of the component auditors and component auditor monitoring and remediation process or external inspections - We recommend the Board consider amending the related application and other explanatory material in paragraph A42 and moving the proposed requirement in paragraph 21(b) of ED-600 from the proposed standard to the application and other explanatory material.

We support the Board's decision to substantially retain the requirement for the group auditor to determine the component auditor's competence and capabilities as we believe this is a critical step in planning and performing high-quality group audits. We also believe that the examples of the types of procedures that an auditor may perform to determine the component auditor's competence and capabilities included in paragraph A43 of the application and other explanatory material help illustrate the Board's intent with respect to this requirement. We recommend, however, that the Board consider revising the first sentence in paragraph A42 of the application and other explanatory material to read as follows: "The group engagement partner's determination as to In determining whether component auditors have the appropriate competence and capabilities to perform the necessary procedures at the component for purposes of the group audit, the group engagement partner may consider matters such as involves consideration of one or more of the following matters:"

In addition, we recommend that the following proposed requirement included in ED-600 paragraph 21(b) be relocated into the application and other explanatory material: "When information has been provided about the results of the monitoring and remediation process or external inspections with respect to the component auditor's firm, determine the relevance of such information to the group audit and determine its effect on the group audit." We believe that it is currently unclear as to what is being required of the auditor in addition to the requirements outlined in paragraph 21(a) of ED-600. Specifically, the phrase "When information has been provided" could create confusion as to how much effort the auditor is expected to expend searching for such information in order to satisfy this proposed requirement. We believe the requirement was intentionally

phrased to acknowledge that information about the component auditor's firm may not always be accessible by the group auditor (for example, due to local jurisdiction privacy and confidentiality laws and regulations).

Engagement Resources - We suggest the Board consider revising paragraph 22 of the proposed standard to remove the reference to paragraph 21.

As it relates to paragraph 22 of the proposed standard, we support the objective for the group engagement partner to obtain sufficient appropriate audit evidence related to the work to be performed at the component.

We suggest, however, that the Board consider revising the first sentence of paragraph 22 of the proposed standard to read as follows: "If the group engagement partner has serious concerns about any of the matters in paragraphs 18– 210, including if a component auditor does not meet the independence requirements that are relevant to the group audit, the group engagement team shall obtain sufficient appropriate audit evidence relating to the work to be performed at the component without involving that component auditor." We believe that the proposed standard as drafted could be misunderstood such that if serious concerns are raised related to the component auditor's competence and capabilities, the group engagement partner would be unable to involve the component auditor, even if additional safeguards are put in place to mitigate such concerns. Certain of the concerns that could be identified related to paragraph 21 of the proposed standard can be overcome through incremental steps or actions performed by the group engagement team in order to mitigate such concerns.

For example, if the group engagement partner of the audit of a bank determined that the component auditor did not have sufficient banking industry experience, the group engagement partner may decide to supplement the component audit team with a group engagement team member to address this concern. It is unclear from the proposed standard as written whether such concerns represent a "serious concern" as described in paragraph 22 and whether it can be mitigated such that the group engagement team would be able to continue to use the component auditor to support the group audit.

Proposed addition of sufficient time determination - We suggest the Board provide additional clarification around the proposed requirement in paragraph 21(a) of ED-600 that the group engagement partner shall determine that the component team has "sufficient time to perform the assigned audit procedures at the component."

We support the Board's intent to ensure the component auditor has sufficient time to perform the work to which they are assigned as we believe this is important when executing a high-quality group audit. It is not clear in ED-600 what the group engagement partner is being required to perform, incremental to what is being proposed in, Exposure Draft, Proposed International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements (ED-ISQM 1), to determine that the component auditor has sufficient time to perform the assigned audit procedures at the component.

We acknowledge the sufficient time requirement in ED-600 is based on the requirement in proposed ISA 220, but we believe it could cause practical challenges in a group audit. In most cases, we believe the group engagement team will be relying on communication from the component engagement partner as a basis for making such a determination, but it is unclear whether additional efforts would be expected, including the nature of any related documentation.

In addition, ED-ISQM 1 already includes a proposed requirement in paragraph 38(b) which states that "The firm assigns an engagement partner and other human resources to each engagement who have appropriate competence and capabilities, including being given sufficient time, to consistently perform

quality engagements.” This requirement would be applicable to the component auditor as part of the component auditor’s system of quality management. We believe clarification on this topic would be helpful to practitioners if the requirement is not removed from ED-600.

CPAA

Paragraph A40: This paragraph states that “working with component auditors that are not from the same firm may be different than working with individuals from the same firm, particularly when component auditors have different systems of quality management.” This application material does not recognise that even within the same network, there can be differences in the way that the system of quality management is implemented and suggests that the group engagement team can rely on systems of quality management within network without question. The group engagement team needs to be satisfied with the system of quality management at the component auditor whether or not they are from the same network. We suggest that the application material acknowledges this point.

We support the IAASB’s proposals made in relation to ways to overcome restrictions on access to information and

people. Although, given that overcoming restrictions which may arise in relation to groups with non-controlling interests can be challenging, we suggest that further guidance is provided in relation to the adequacy of evidence which may be obtained by the means suggested in paragraph A29 in meeting the requirements of paragraph 42. In particular, expanding on the circumstances in which “considering publicly available information” may be sufficient.

In addition, we suggest the IAASB includes guidance on how to address restrictions on access to people and information through technological tools and techniques. While technological tools may not be a way of overcoming restrictions imposed by law and regulation, those tools may prove to be useful in overcoming restricted access to information due to “war, civil unrest or outbreak of disease” (paragraph A28) and in reviewing relevant audit documentation remotely (paragraph A29). We also suggest that paragraph A28 is expanded to include “natural disaster” which can be an important factor in limiting access (as evidenced in recent years in Australia with large scale, devastating bushfires), especially as it is expected that such events are likely to increase in frequency in the future. Technological tools have proven to be of particular importance in conducting audits during the COVID-19 pandemic and we expect that the audit profession will continue to conduct significantly more audit work remotely after the pandemic subsides, as new and more efficient ways of working become embedded.

We suggest that additional application material on technological tools as a way of overcoming access restrictions, outlines how and to what extent they can be used to document the audit process and the component auditor’s work, including what data is captured by audit tools, how it is analysed and who has access to the data. See also our response to question 11 regarding the use of technological tools for audit documentation purposes. We note that the IAASB’s publication Non-Authoritative Support Materials: Using Automated Tools & Techniques in Performing Audit Procedures (published on 28 September 2020) provides assistance in performing audit procedures using automated tools and techniques. However, it does not address these specific access issues for group audits.

ECA

Yes, we believe that the ED-600 addresses restrictions appropriately. However, some experts were of the view that that application material could be enhanced by supplementing information on the ways to

overcome restrictions on access to location/premises (see the accompanying reference for additional comments).

IBRACON

We support the enhancements made in ED-600, but we understand that including a clear differentiation whether the restriction is imposed by management and those that are outside of management's control is helpful. However, even with the enhancements, we acknowledge that there will be continued challenges arising from restrictions on access to information particularly for equity-accounted investments. So, additional guidance and examples regarding this would be very helpful.

ICAEW

We are generally supportive of the enhancements to the requirements and application material relating to acceptance and continuance of group audit engagements.

Restrictions on access are a perennial problem that cannot be solved by requirements and guidance in standards alone. Our outreach suggests that ED-600 provides sufficient guidance on how to address and overcome restrictions in relation to access to people or information at components.

In terms of the ability to be involved in the work of the component auditor, our response to the ITC recommended that IAASB explore the possibility of 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. Taking account of the revised approach and structure in ED-600, with responsibility for planning and execution of the group audit firmly placed on the group engagement team, there is, we believe, scope to strengthen the requirement for the group engagement team to secure agreement that component auditors will cooperate with the group engagement team.

ICAS

We are supportive of these enhancements. We recognise that a number of the issues relating to access cannot be dealt with by an auditing standard. However, we would encourage the IAASB in its outreach to discuss such matters including societal change and what "access" means in today's world of continual technological development.

IIA

Yes, with a recommended addition that limitations that cannot be resolved should be communicated to the board/audit committee as a scope limitation in the final report.

IMCP

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

IPA

The IPA supports the amendments to client acceptance and continuance of group audit engagements where there are restrictions on access to information and people. We concur that there is no necessity to

amend ISA 210 Terms of Engagement for the proposals in relation to group engagement client acceptance and continuance in the ED.

However, we are not satisfied that the application guidance in A32 and the revisions to ISA 705 provide adequate guidance in the body of the proposed ISA 600 to reflect the impact of an unresolved restriction on access to information or people in relation to an audit component. While an illustrative example is referenced in the application guidance (A32) the standard itself should clearly enunciate the implications of such circumstances.

ISCA

The inclusion of guidance regarding restrictions on access to people and information that are beyond the control of group management is helpful as it drives group auditors to better consider this upfront at the audit acceptance and continuance stage and in early planning.

However, we have some specific concerns as follows:

Restriction of access to non-controlled entities

We appreciate the IAASB's recognition of this issue and the guidance provided in paragraph A29 of the ED to overcome restrictions to entities which are not controlled by the group (such as those accounted for by the equity method).

This is an area which might attract complications where the non-controlled entity limits the level of access to information and/or its auditors.

While we find the guidance provided in paragraph A29 to be useful, we also wonder if this might give the wrong impression to the group management or non-controlled entities that the group engagement team could just make do by carrying out some of the suggested procedures, such as considering publicly available information. This might lead to situations where the group engagement team is pressured to “deal with it” as the standards appears to allow it.

It would be helpful to emphasise that these procedures suggested are meant for consideration only and, by themselves, might not be sufficient to overcome the restriction.

Practical challenges in reviewing component auditor documentation remotely

Against the backdrop of Covid-19, the issue of restrictions to access to information has become more apparent, particularly where the source audit documentation is not allowed to be shared outside the jurisdiction due to laws and regulations.

As listed in paragraph A29, some of the methods by which group engagement teams (GETs) overcome such restriction is by reviewing the component auditor's working papers remotely through the use of technology, such as via video conferencing or by discussing procedures performed with the component auditor. While these are workable alternatives, there are accompanying risks and challenges, for instance the reliability of the evidence obtained through such means and the level of cooperation required from the component auditors.

In this regard, we hope that the application materials can instil awareness on the risks arising from using technology and provide guidance on considerations before the GET can rely on the audit evidence obtained through such means to ensure that the quality of audit evidence is not compromised.

It may be helpful for GETs if there are considerations or application guidance in the standards in relation to matters affecting acceptance and continuance that are not within management's control, for example in situation where component is located in a country where the regulatory environment is not robust.

MICPA

There is also a requirement for group engagement teams to make an assessment of the quality of component auditors including considering the results of external quality inspections. This will be a challenge particularly if the component auditors are not from the same network of firms in view that such information are generally not publicly available and will be considered as highly sensitive and confidential.

Question 13: The IAASB is also seeking comments on the matters set out below:

(a) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-60

We support the enhancements to the requirements and application material on restrictions on access to information and people and are of the view that the proposed ISA 600 (Revised) has addressed restrictions on access to information and people and provided practical ways for group engagement teams to overcome such restrictions.

The proposed standard also requires the group engagement team to make an assessment of its ability to access the component auditors including any audit documentation it may require. As stated, there are certain challenges to obtain access to information, component auditors and component management, particularly for equity-accounted components, as stated in paragraph 16 of the proposed ISA 600 (Revised) as there is no legal provision in our jurisdiction for such access. This may have the unintended consequence of certain group entities of not being able to appoint any group auditors in view of the inability to have access and the group auditors risking legal action for accepting such audit appointments having known the access limitations.

SAICA

SAICA supports the enhancements to the requirements and application material in ED-600.

SAICA is of the view that paragraph 19 of ED-600 can be further strengthened by making it a requirement in the standard that component auditors should allow access to their working papers to the group engagement team in relation to the group engagement unless there are valid reasons not to allow this, such as the legal requirements in a particular jurisdiction. This is particularly important in situations where the group engagement team and the component auditors do not belong to the same network firm and where the component auditors may be uncooperative.

SAICA proposes the following wording which can also be included as an additional paragraph above paragraph 19 of ED-600: "The group engagement team shall require the component auditors to allow them access to the work performed by component auditors unless there is a valid reason not to permit such access. Examples of valid reasons may include restrictions imposed by management (e.g. in the case of equity investments), laws and regulations or other conditions, for example, war, civil unrest or outbreaks of disease."

SAICA believes that such a paragraph would enhance accountability and transparency in the audit process and is in the interests of promoting audit quality. The group engagement team does not necessarily have to

incorporate the working papers of the component auditor in the group engagement file but access would allow the group engagement partner to evaluate the evidence and ensure that there is sufficient and appropriate evidence to support the audit opinion. Failure to obtain such access from the component auditor may be an indication that the group engagement team should conduct the audit of the component themselves.

It would also be very difficult for group engagement partners to apply their minds as to whether sufficient appropriate evidence has been obtained at component level without accessing the working papers of the component.

SAICA urges the IAASB to work closely with the relevant global audit regulators to resolve the issue of access to information and people. Regulators should be in a better position to influence laws and regulations in their respective jurisdictions to overcome this challenge. It is in the interests of audit quality to ensure that these restrictions are overcome.

Furthermore, it is our view that advances in technology do allow for work to be shared across geographic locations even during outbreaks of diseases and other similar conditions. This has been the case during the outbreak of the COVID-19 pandemic in South Africa, where auditing firms have been conducting audit engagements remotely. SAICA understands that the standards should be principles-based to cater for a wide array of circumstances, however, the impact of technology should be considered as this is inherent in the modern audit environment.

There may be further developments from the time that the group engagement partner makes the determination on whether to accept or continue with the group engagement and when the engagement starts. During that time, it is possible that changes may have taken place in the group structure, e.g. the acquisition of a significant equity investment. This change in the group structure could result in restrictions that may not be overcome and may affect the original acceptance/continuance decision. Application paragraph A25 should be supplemented with this possible scenario.

SMPAG

Communication about the Restrictions on Access to Information/ People

According to para. A30 of the ED, when the GET cannot overcome restrictions on access to information/people, the GET may communicate about the restrictions to the firm, regulators, listing authorities, or others. However, the term “others” can be too ambiguous and overly broad for the group auditor to determine who “others” would be, particularly for group audits not involving listing authorities or industrial regulators. We would like to seek clarification in this regard, e.g. whether “others” would be confined to appropriate stakeholders required by laws, regulations and/ or contracts.

With one exception, we believe that ED-600 appropriately addresses this issue. In regard to material investment accounted for on an equity basis, we believe that the auditor would need to do more work than merely consider published financial statements (see para. A29)

SRO AAS

Clarifications should be provided regarding access to people and information, and existing restrictions should be lifted.

9. Individuals and Others

PITT

We welcome the exposure draft's proposals to clarify the application material (proposed paragraphs A27-A32) around different access issues that exist, including the insertion of headers to differentiate the issues, explanations for the reasons for access issues (paragraph A28) and guidance on how the group engagement team may overcome access issues (paragraph A29). Of particular relevance is the following section of paragraph A29:

When the group has a non-controlling interest in an entity that is accounted for by the equity method, the group engagement team may be able to overcome restrictions by:

Determining whether provisions exist (e.g., in the terms of joint venture agreements, or the terms of other investment agreements) regarding access by the group to the financial information of the entity, and requesting management to exercise such rights;

Considering financial information that is available from group management, as group management also needs to obtain the entity's financial information in order to prepare the group financial statements;

Considering publicly available information, such as audited financial statements, public disclosure documents, or quoted prices of equity instruments in the non-controlled entity; or

Considering other sources of information that may corroborate or otherwise contribute to audit evidence obtained. For example, if the group has representatives who are on the executive board or are members of those charged with governance of the non-controlled entity, discussion with them regarding the non-controlled entity and its operations and financial status may be a useful source of information.

We would like to propose that the above paragraph of application material goes further to address situations where access to equity accounted components, their management and auditors is provided, but this access is limited to information that would not be considered insider information. This could also encompass situations where, for equity-accounted significant components, component auditor communications under paragraphs 44-45 of ED-600 should be limited to:

directing the group auditor towards relevant publicly available information, such as the component auditor's opinion on the component's audited financial statements;

confirmation of component materiality levels and key audit matters / significant risks, as already disclosed in the component auditor's extended audit opinion on the component's audited financial statements; and

any other relevant audit documentation where access is not prohibited by law or regulation.

Paragraph A15 of the extant ISA 600 refers to the group auditor potentially being able to place reliance on audited financial statements and management information for non-significant components, but always having full access and involvement in the work of the component auditor for significant components to comply with the ISA. This also includes reference to the requirements of paragraphs 30-31 to be involved in the risk assessment and responses for significant components.

We welcome the removal of this paragraph and the inclusion of the revised wording in paragraph A29 of ED-600, as copied above. In our view this will allow for a more principles-based approach dependent on the group auditor's risk assessment and other sources of information available. In conjunction with access to information kept by group management in relation to that component, we believe that it would not be unreasonable for the group audit engagement team to conclude that the information obtained constitutes

sufficient appropriate audit evidence in relation to the equity-accounted component. This would be a judgement for the group auditor after considering the significance and risk profile of the component.

We also welcome the insertion of the new paragraph 42 of ED-600, allowing group auditors to rely on audits performed for another purpose, subject to a satisfactory evaluation of the component auditors' responses to risks of material misstatement, performance materiality and other considerations such as independence and professional competence. We would like to see further guidance on this aspect, in particular for components that are non-controlled entities. In situations where the information available to the group auditor includes an extended audit report, the group auditor could conclude that they concurred with the component auditor's conclusions regarding significant risks and the appropriateness of their responses to these risks from performing a review of the key audit matters. Similarly, the group auditor may concur with the materiality levels disclosed in the extended audit report. Together with other information on the component and confirmations of the component auditor's independence and professional competence, the group auditor may then be in a position to conclude that the work of the component auditor was sufficient without requiring further access.

Our further suggestions are:

The standard should clearly differentiate between procedures to be performed in relation to the components which are

public companies compared to privately owned companies, in the context of MAR and/or similar legislation applied to the components. Where components are public companies, the group auditors should aim to focus exclusively on publicly available information, such as financial statements and extended audit reports, annual reports, public announcements, etc. Stock exchange disclosure requirements for public companies are very comprehensive and should not be ignored during the audit process.

We suggest including a clear distinction between the procedures recommended for audit of controlled components compared to those for equity-accounted investees. Extensive access to the equity-accounted investee's financial information and audit working papers is not usually feasible, especially when the component is a public entity; thus, group auditors should design their audit procedures for equity-accounted components differently from the audit procedures applied for controlled subsidiaries.

Q7 – Disagree

5. Accounting Firms

EYG

The nature and extent of requirements that appear under the bold heading of “acceptance and continuance” is confusing as it includes requirements of a nature that are not included as part of acceptance and continuance procedures in proposed ISA 220 (Revised). Specifically, the requirements that address relevant ethical requirements, engagement resources and engagement performance should not be included within acceptance and continuance. The table of contents and heading structure of ED-600 should be revised accordingly.

In addition, because paragraph 13 requires only a preliminary determination about whether to involve component auditors, we challenge whether the requirements within the “considerations when component auditors are involved” section (paragraphs 18-19) are properly placed. The paragraph 18 requirement is noted to be included in the execution of paragraph 13 of proposed ISA 220 (Revised), which is about

leadership responsibilities for managing and achieving quality on audits (i.e., not a requirement for acceptance and continuance in proposed ISA 220 (Revised)).

With respect to the requirements and application material that are relevant for acceptance and continuance, we have the following comments:

We believe the paragraph 13 requirement to obtain an understanding of the group “that is sufficient to identify components ...” is a far greater work effort than necessary or appropriate for acceptance and continuance decisions. The determination of components is greatly driven by the understanding of the group and its system of internal control in accordance with the requirements of ISA 315 (Revised 2019) - particularly, the determination of whether any aggregation or disaggregation of locations, functions, or activities is appropriate, which may require, for example, an understanding of flows of transactions or further details about the structure of the IT environment. We recommend that the required understanding be amended to be “sufficient for a preliminary identification of components”.

Paragraph A21 could include an understanding of where auditors have been engaged by the client across the group to perform statutory audits. This would assist the group engagement team in identifying component auditors and in planning the group audit.

Paragraph A26 includes the term “important communications” in the second item of the bulleted list. This is not a defined term and would therefore benefit from further guidance on the criteria the component auditor is expected to use to make this determination. In the third item of the bulleted list, “Communications between regulatory authorities and components related to financial reporting matters...” would benefit by being narrowed. We suggest: “Communications between regulatory authorities and components related to financial reporting matters that may be relevant to the group audit should be communicated to the group engagement team”.

Other examples of how the group engagement team may be able to access relevant documentation that would be useful to include in paragraph A29 are:

Attending calls or video conferences throughout the audit for key component auditor meetings, including meetings involving component management

Setting regular touchpoint calls with the component auditors, on a timely basis, as required by the circumstances

Also, in relation to paragraph A29:

The bullet starting “When the group has a non-controlling interest in an entity that is accounted for by the equity method, the group engagement team may be able to overcome restrictions by...”, the extent of the work suggested to be performed by the group engagement team when the group engagement team is unable to obtain the equity investee’s financial information is unclear. Because this is a challenging area in practice, implementation guidance would be very useful to further assist in determining when the example actions provided within this guidance would be sufficient and how the risk-based approach would apply in this context.

We also ask the IAASB to consider the appropriateness of the example in the sentence starting “Considering other sources of information...” because members on the executive board of a non-controlled entity may be bound by confidentiality or insider trading laws that would prohibit disclosing information to external parties. See our response to Question 10 for additional comments on equity investees.

The guidance in the bullet starting with “When war, civil unrest,...” is focused on physical meetings, which may not be an option in many circumstances and therefore we suggest this is updated to also consider virtual meetings.

With respect to other requirements and application material currently misplaced within the acceptance and continuance section of ED-600, we have the following comments in addition to the overall comment to re-position these paragraphs in a manner that is aligned with the structure of proposed ISA 220 (Revised):

Considerations when component auditors are involved

In paragraph A34, we suggest rephrasing “understanding of whether the group engagement team will have unrestricted

access to the component auditor” to “understanding of whether the component auditor is subject to any restrictions that limit communication with the group engagement team, including with regard to sharing audit documentation with the group engagement team”.

Relevant ethical requirements, including those related to independence

The application material in paragraph A39 seems to focus on the appropriateness of audit fees, which is more a risk to quality rather than a matter that directly relevant to independence. As drafted, it is misleading as it implies that the IESBA Code primarily addresses fees and other remuneration arrangements. We suggest that the last sentence of paragraph A39 is updated to not focus on audit fees but rather focus on the IESBA Code requirements more holistically.

Engagement resources

Results from the monitoring and remediation process

We believe that paragraph 21(b) sets unrealistic expectations regarding the availability of information about the results of the monitoring and remediation process of a component auditor's firm, as well as about the extent of usefulness of any such information to the evaluation of the competence and capabilities of the individuals assigned to the engagement team. We also believe the extent of effort to obtain this information is unclear and could be subject to different interpretations in practice. To be capable of consistent implementation, we believe that it is necessary to update this requirement to refer to publicly available information, as this is likely to be the only source of information for non-network component auditors. For component auditors from firms within the auditor's network, the information that is required by ISQM 1 to be distributed by the network is “the overall results of the network's monitoring activities across the network firms”. This information may not include specific information/deficiencies for any network firm (unless that information is also publicly available).

At a minimum, we suggest the following edits “When information has been provided about the results of the monitoring and remediation process or external inspections with respect to the component auditor's firm is publicly available, determine the relevance of such information to the group audit and determine its effect on the group audit”.

Consistent with our concerns about paragraph 21(b), we also believe that the phrase “or from the component auditor” should be removed from paragraph A46. Further, we do not believe that the information that is available to the group engagement team about a component auditor's firm always influences the nature, timing and extent of the engagement partner's direction and supervision of the component auditor because such information is not specific to the engagement. We suggest that “always” be edited to “may influence”.

Competence and capabilities of the component auditors

In paragraph A43, we do not understand the following examples in the application material and ask the IAASB for clarification:

“Discussing the component auditor’s competency and capabilities with colleagues in the group engagement partner’s firm.” Is this intended to be colleagues that have worked directly with the members of the component auditor’s team?

“Obtaining confirmations from the professional body or bodies to which the component auditor belongs, the authorities by which the component auditor is licensed, or other third parties.” Is this at the firm level or at an individual level? Many jurisdictions have restrictions in place on information that can be made available about individuals due to data privacy laws and regulation.

We ask the IAASB to consider revising the language used in paragraph 22. As written, this paragraph is inconsistent with the IESBA Code with regard to breaches. The wording of “if a component auditor does not meet the independence requirements” suggests that when a breach is identified, regardless of the breach and whether the component auditor is within a network firm or not, the component auditor will not be allowed to be involved in the group audit work. This goes beyond the IESBA Code provisions on breaches to evaluate the significance of the breach and possible actions to be taken to address the consequences of the breach.

In the last item of the bulleted list in paragraph A51, the focus in this example is on in-person visits. We suggest that this example instead emphasizes more discussions and communications with the component auditor about the work performed (which do not necessarily need to be in-person meetings and are often performed virtually).

7. Member Bodies and Other Professional Organizations

WPK

Contradictory Principles regarding “At-Equity Components”

If an audit has been performed on the financial statements of a component for statutory, regulatory or other reasons, ED-600.42 allows that the group engagement team can use such work as audit evidence for the group audit, under the condition that all relevant requirements of ED-600 have been met with respect to the use of the work of a component auditor.

We fully agree with the proposed approach. It is consistent with the approach under extant ISA 600.3. We believe it is important to maintain the principle that an audit of a component performed for statutory or other reasons can only be used for purposes of a group audit, if all relevant requirements of ISA 600 have been applied. Interestingly, and to our surprise, ED-600 comes to the contrary conclusion in the case of audits performed for financial statements of At-Equity components for statutory or other reasons.

Group engagement teams often experience restrictions on access to information or people when the group has a non-controlling interest in an entity that is accounted for by the equity method. ED-600 A29 second bullet point suggests that the group engagement team may be able to overcome restrictions on access to information or people in the case of At-Equity components by:

Considering financial information that is available from group management, as group management also needs to obtain the components financial information in order to prepare the group financial statements [which may include both audited and unaudited financial statements],

Considering publicly available information, such as audited financial statements.

In other words ED-600 A29 implies that the group engagement teams may use audited financial statements of At-Equity components for purposes of a group audit regardless of the fact that several requirements of ED-600 have not been complied with due to restrictions of access to information or members of the audit team performing the audit of an At-Equity component.

We believe that the two approaches described in ED-600.42 and in ED-600 A29 are contradictory and mutually exclusive.

Potential negative consequences:

ED-600 does not provide a practicable approach how to overcome a lack of audit evidence due to access restrictions in the case of an “At-Equity Component”. It is unhelpful to imply that (statutory) audits performed for an At-Equity component can be used for group audit purposes, without explaining how the group engagement team can comply with ED-600.42. We believe it is impracticable to comply with that paragraph, (i.e. to evaluate the appropriateness of the audit procedures performed in the statutory audit, the materiality applied for the statutory audit and the competence and capabilities, including the independence, of the statutory auditor) if the group engagement teams does not have access to the relevant information or the respective team-members of the statutory auditor.

We believe that ED-600 A50 falls short of the respective approach taken under extant ISA 600 A15 and A16 with regard to At-equity components that are significant components. Under extant ISA 600, access restrictions on information of a significant (At-equity) component will result in an inability to obtain sufficient and appropriate audit evidence and ,accordingly, a respective qualification of the group audit opinion due to a scope limitation (see also extant ISA 600 Appendix 1). In other words, extant ISA 600 mandates an involvement in the work performed for significant At-Equity component in order to avoid a respective qualification of the group auditors report. ED 600 proposes to abolish the mandatory involvement regarding the audits of significant “At-Equity components”. We believe that such a change is particularly unhelpful, since it will significantly weaken the position of the group engagement team when requesting access to relevant information of a significant At-Equity component.

No, we do not support the changes proposed by ED-600 in particular with regard to restrictions on access to information in case of “At-equity components” (see section 8 above).

Q7 – No Comment

1. Monitoring Group

IOSCO

No Comment

3. Regulators and Audit Oversight Authorities

MAOB

No Comment

8. Academics

AFAANZ

No comment

GRAHAM

No Comment

LI

No Comment