

## Supplement A.6 to Agenda Item 4

**Questions 9 – Do you support the additional application material on the commonality of controls and centralized activities, and is this application material clear and appropriate?**

### **Question 9**

Do you support the additional application material on the commonality of controls and centralized activities, and is this application material clear and appropriate?

### **Q9 – Agree**

#### **1. Monitoring Group**

##### **IAIS**

The IAIS agrees with the additional material on controls and centralised activities.

#### **3. Regulators and Audit Oversight Authorities**

##### **CSA**

Overall, we support the proposals

##### **IRBA**

We support the additional application material on the commonality of controls and centralized activities. Further, we believe that this application material is clear and appropriate.

##### **NASBA**

NASBA supports the additional application material on the commonality of controls and centralized activities.

#### **4. National Auditing Standard Setters**

##### **AICPA**

We do not have any observations specific to commonality of controls, however, please note the following response related to centralized activities.

##### **AUASB**

The AUASB supports the additional application material on the commonality of controls and centralised activities and consider that it is clear and appropriate.

##### **CAASB**

We support the additional application material, in paragraphs A59-65 and Appendix 3, related to commonality of controls and centralized activities. Stakeholders find the terms “commonality of controls” and “centralized activities” easy to understand and the guidance is helpful in identifying internal controls.

#### HKICPA

We support the additional application material on the commonality of controls and centralized activities, and consider them clear and appropriate.

#### IDW

We support the additional application material on the commonality of controls and centralized activities and believe that with one exception noted below this application material is clear and appropriate.

#### KSW

Yes, we support the additional application material. It is clear and appropriate. On the other hand, and it is not our local experience, that group auditors have been placing undue reliance on group-wide controls as stated in para 71 of the Explanatory Memorandum.

#### NZAuASB

The NZAuASB supports the additional application material on the commonality of controls and centralised activities.

### 5. Accounting Firms

#### BDO

Yes, we support the additional application material on the commonality of controls and centralized activities and believe the material is clear and appropriate.

#### BT

Yes.

#### CG

The additional application material on the commonality of controls and centralised activities is relevant, clear and appropriate. The approach taken by ED-600 reflects how many entities now operate and encourages a co-ordinated approach to the group audit. In addition, Appendix 3 provides a relevant commentary that will support practical application.

#### CR

Overall, we do support the additional application material on the commonality of controls and centralized activities. In a number of circumstances, we believe this application guidance may aid auditors in what can be a difficult audit area, particularly in a multi-component environment.

#### DTT

DTTL believes the application material regarding common and centralized controls is clear and appropriate.

#### ETY

Yes, we do support the additional application material and we consider the application material clear and appropriate.

## **MNP**

Yes, we support the additional application material on the commonality of controls and centralized activities and believe that the application material is clear and appropriate.

## **6. Public Sector Organizations**

### **AGM**

Yes, we support the additional application material on the commonality of controls and centralized activities. The application material is clear and appropriate.

### **AGO**

Yes.

### **PAS**

Yes, we support the additional application material on the commonality of controls and centralized activities. This application material is clear and appropriate.

## **7. Member Bodies and Other Professional Organizations**

### **BICA**

We support the additional application material on the commonality of controls and centralized activities.

### **CPAA**

Yes, we consider that the application material on both the commonality of controls and centralised activities is clear and appropriate.

### **CPAI**

Yes, we support this and the application material is appropriately clear.

### **EFAA**

We support the additional application material which we believe is clear and appropriate.

### **FAR**

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

### **IBRACON**

Yes, we support the additional application material on the commonality of controls and centralized activities and believe the material is clear and appropriate.

### **IIA**

Yes.

The IIA supports IAASB's effort to have group-level auditors rely less heavily on group-level controls. When financial information is consolidated, group controls can end up badly designed, inoperable, or inaccurate. Putting more emphasis on individual unit controls is a good step.

#### **IMCP**

Yes

#### **INCP**

Answer: Yes, we support the additional application material because of what is stated in the ISA 230: The documentation may need to include a description of the audit procedures performed by the component auditor on matters relevant to the group audit, the evidence obtained from performing the procedures, and the findings and conclusions reached by the component auditor regarding those matters. The group engagement team uses professional judgment to determine the nature and extent of such documentation to include in the group engagement team's audit file.

#### **MICPA**

We support the additional application material on the commonality of controls and centralised activities. It is clear and appropriate.

#### **NRF**

Yes, we support the additional application material on the commonality of controls and centralized activities.

#### **SRO AAS**

The new requirements on the unification of controls and the centralised nature of applied procedures are reasonable.

#### **TFAC**

Yes

### **8. Academics**

#### **HUNTER**

We support the additional application material on the commonality of controls and centralized activities, and it is clear and appropriate.

### **9. Individuals and Others**

#### **VERA**

Yes.

## Q9 – Agree with comments

### 1. Monitoring Group

#### BCBS

We support the additional material on the commonality of controls and centralized activities and believe that it is appropriate. However, we suggest that ED-600 (Requirements, Application Material and Appendix 3) be enhanced as follows:

Expand Appendix 3 to include a statement that the group engagement team's understanding of the system of internal control over financial reporting (ICFR) may include consideration of the extent to which controls across the group are consistent and fully integrated at the group and component level and the implications for the planned audit approach.

Add to the application material enhanced linkages to the requirements in ISAs 315 and 330 regarding responsibility for evaluating whether controls have been designed effectively and have been implemented, and where relevant, ensuring that the operating effectiveness has been tested, in particular where those controls are not common across the group.

Expand Appendix 3 to include examples of control deficiencies that would be indicators of significant deficiencies at both the group and component levels. Such examples of indicators of significant deficiencies could include the following: identification of fraud, whether or not significant, on the part of senior management; restatement of previously issued financial statements to reflect the correction of a material misstatement due to fraud or error; identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected and corrected by the entity's ICFR; and ineffective oversight of the entity's financial reporting and ICFR by those charged with governance.

Expand Appendix 3 to discuss the effects of an ineffective ICFR system on the audits of group financial statements.

ED-600 paragraphs A59 and A60: expand upon the reason for identifying common controls and the relevance to the audit of group financial statements, as paragraph A65 does for centralised activities. We note there is some discussion of the relevance in paragraph A63, but this is in the context on the level at which controls are performed, rather than more generally.

ED-600 paragraph A60: clarify the interaction of the group engagement team and component auditor. While we understand and agree that the group engagement team should remain responsible for the audit approach and the judgements made, we understand that the component auditor may be used to assist in the evaluation. It is not clear from A60 that this is envisaged.

### 3. Regulators and Audit Oversight Authorities

#### UKFRC

We strongly support the focus away from the concept of group-wide controls and instead to enhance the links to ISA 315 and ISA 330 in respect of the auditor's responsibility in relation to the group's system of internal control. The inclusion of material on common controls and centralised activities better reflects the modern reality of many international groups and is sufficiently principles-based to allow for evolution in group structures. Such work provides evidence for the group audit as a whole and therefore the work applies to all components to which a process, control, account, transaction or disclosure is relevant. The use

of the wider term “centralised activities” is appropriate, allowing the requirements of ED-600 to be applied to a wide range of possible scenarios, including where there may be multiple shared service centers within a group.

#### Sharing evidence

We understand that the work performed in a shared service center may support not only the audit of the group financial statements but also audit engagements that are required for entities within a group for statutory, regulatory or other reasons (i.e. ‘sharing evidence’). However, in this respect, the sharing of evidence is not directly relevant to the GET’s objective of obtaining sufficient appropriate audit evidence to provide a basis for forming an opinion on the group financial statements. Accordingly, we agree that further guidance could be developed to set out how such work is coordinated and the conditions under which audit evidence can be shared.

Where the GET or a CA obtains audit evidence from a centralised location and that evidence is also relevant to the planning and performance of audit work to be undertaken at other component(s), we believe that how such work is coordinated is relevant to the GET’s objective under ED-600. We recommend, that in finalising the standard, the IAASB explain this through an illustrative example to be included in the application material.

## 4. National Auditing Standard Setters

### CNCC-CSOEC

We support the additional application material on the commonality of controls and centralised activities which are two different types of group-wide controls. We consider that this application material is clear and appropriate. However, we consider that more guidance should be provided, including practical

cases, to further explain the difference between these two concepts of commonality of controls and centralised activities. We also believe that the expected work effort on these controls and activities should be clarified. This is why the application material should be enriched by providing more examples on factors to be considered when deciding on whether to rely on the controls and how to test them in practice and the scope of the tests.

### JICPA

We are concerned that the illustration of paragraph A5 may be misunderstood to mean that several entities could be combined into a single or a smaller number of components in all cases if the information systems and systems of internal control are common. In order to avoid such misunderstanding, this application material should be removed or more detailed additional explanations should be provided.

### MIA

#### Shared evidence

With the increase in centralisation of activities within groups, the standard needs to address considerations relating to circumstances and conditions when it is justified to share audit evidence across the group to support the audit work that may be needed across components as well as the associated implications for direction, supervision and review. This includes considerations for SSCs.

The AASB supports the additional application material on the commonality of controls and centralised activities.

We believe further clarity is needed with respect to the audit within an SSC. Further guidance on the role of an SSC would be helpful to the GETs in designing and performing audit procedures at an SSC. For example, consideration of when an SSC may be deemed to be a component and how shared audit evidence obtained from audit of an SSC is leveraged across audits of components of the group given the increasing expectation of clients for work done at an SSCs to be shared across various audits across the group.

There may be circumstances when audit evidence obtained at an SSC is necessary to enable a component auditor to perform and conclude on further audit procedures assigned to the component auditor by the GET. As such, the AASB believes that greater collaboration with an SSC and component auditors at all stages of group audit is desirable to ensure sufficient component auditor involvement in evaluating the sufficiency and appropriateness of shared audit evidence obtained from audit of an SSC. The ISA should address considerations relating to circumstances and conditions when it is justified to share audit evidence across the group to support audit work needed across components as well as the associated implications for direction, supervision and review. It may seem incomplete for the IAASB to ignore or defer consideration of the practical reality in the design and performance of the group and statutory audits in the broader context of a group audit engagement. We note that further changes to ISA 220 are likely needed in this regard.

In addition, further clarification would be helpful about the controls that are designed and operated specifically at the group level (i.e., not “common controls” across the group).

## 5. Accounting Firms

### EYG

#### Statutory audits and shared service centers

We note that there is currently no guidance addressing situations where the component auditor, for its local statutory audit, relies on the work performed centrally, for example work performed by the shared service center team, or the group engagement team. We understand that in this scenario, proposed ISA 220 (Revised), ISA 315 (Revised 2019) and ISA 330 would apply; however, we suggest this is made clearer in the context of ED-600 (i.e., stating that ED-600 does not address these situations). Finally, while proposed ISA 220 (Revised) addresses a number of matters, such as the supervision and review of the members of the engagement team, it does not necessarily focus on specific guidance on the nature and extent of the supervision and review that applies when a shared service center is in place, such as over the performance and documentation of the further substantive audit procedures.

We also encourage the IAASB to continue to coordinate efforts with national standard setters to help develop a more streamlined approach to audits and audit documentation when entities that issue statutory accounts also rely on work performed centrally (e.g., when the group has centralized activities such as shared service centers).

Yes, we do find the new application material on the commonality of controls and centralized activities very helpful. We strongly support the application material in paragraph A63 regarding commonality of controls and the ability to test as a single population.

We are satisfied to see that ED-600 better addresses shared service centers. The revised definition of a component recognizes a shared service center may be determined as a component (even when no financial information is prepared at the shared service center). We also support the enhanced application material throughout ED-600 on centralized activities. This will help align group audits with today's more sophisticated and complex group structures. For example, paragraph A88 explains that several components can be

considered as one population, which would be very helpful guidance for a group that has multiple shared service centers that process transactions for a significant class of transaction in an identical manner. It would be helpful if the focus of paragraph A88 was not only placed on the financial information but also recognized the homogeneity in activities and in information processing. Such revisions would better apply to shared service center situations where no financial information is prepared.

When centralized activities exist, including shared service centers, it would also be helpful to clarify the population for substantive testing and how to apply component materiality to test this population.

In situations where management's structure differs from the way the audit is structured it is unclear whether this would impact our ability to test several components as a single population (i.e., can the population be truly recognized as homogeneous?). Further considerations on the factors to consider in making the determination that a single population exists may be helpful (e.g., when IT applications and controls are identical and the components are operating under identical policies and procedures).

## GT

We note that the interpretation and application of 'group-wide controls' in extant ISA 600 is, in practice, inconsistent and, as such, we are supportive of the change to commonality of controls and centralised activities. Similarly, we are supportive of the application material added on the commonality of controls and centralised activities. The results of our field testing indicate that the proposals in ED-600 improve the ease of designing the audit strategy for centralised classes of transaction, account balances and disclosures, which is a common approach for the audit of financial statement line items such as income taxes and goodwill.

We note that in practice, common controls and substantive audit procedures performed by the group engagement team can provide audit evidence for both the group audit and for a component auditor in situations where a separate local opinion is being provided. As such, we recommend that additional application material be added to explain the extent to which a component auditor may use the work performed in relation to common controls for the group audit and the substantive audit procedures performed by the group engagement team in forming an audit opinion on the component's financial statements. Additionally, an example of this situation may be helpful to demonstrate this concept.

## KPMG

We are supportive of the removal of the terminology of "group-wide controls" from the proposed standard, as we believe there may have been inconsistency in interpretation of the concept. We welcome the additional material to address controls more broadly, including the application material addressing special considerations in a group audit regarding commonality of controls and centralised activities relating to financial reporting.

We believe the application material is helpful and paves the way for addressing performance of audit procedures in respect of functions such as shared services centres. We agree that many of the considerations in this area are of a more practical nature in terms of coordination of performance of procedures across the group and we are supportive of the Board's stated intention to develop FAQs as part of implementation support materials.

We refer also to our response to Question 1a) and 1b), in which we recommend that the IAASB establish more specific "bridges" between ISA 315 (Revised) and ISA 600 (Revised), such as the extent to which a group engagement team is expected to develop their "understanding" of components, including in respect of



components that are not ultimately determined to be in scope for further audit procedures. The extent of such “understanding” needed is unclear in respect of controls, both direct and indirect, that are developed on a common basis across the group.

## MAZ

Yes. However, the application material could be developed by providing more examples on the factors to be considered when deciding on whether to rely on the controls and how to test them.

Additionally, the proposed standard does not include a clear expectation for the group engagement team to communicate the results of internal control procedures, whether positive or negative, that could impact the component auditors’ design and extent of audit procedures. Failure to do so could result in insufficient procedures performed to address the risk of material misstatement, or over auditing. We recommend that an explicit requirement be added to communicate the results of internal control procedures performed on relevant common controls to the impacted component auditors by both the group engagement team and other component auditors.

When tests of effectiveness of controls are performed at a group or Shared Services Center level, understandably they are performed in a manner sufficient to support the group audit. In practice, this means that control selections will be spread across multiple component entities. In connection with group audits, there often are component level statutory audits performed where reliance on those group or Shared Service Center controls would improve audit quality. Given that the controls testing was not performed specifically to support the statutory audit, we understand that reliance on the controls testing for group audit purposes may be challenged and considered not sufficient audit evidence for the statutory audit. The result of this conclusion leads the statutory auditor to either perform local level “standalone” tests of effectiveness or to determine that a non-control reliance strategy should be employed. We believe that control reliance audit strategies generally lead to higher quality audits. The ability to rely on group or Shared Service Center control testing, when appropriate and without additional testing specific to the statutory audit entity, would increase the prevalence of control reliance strategies on such audits. Guidance on the linkage between the results of relevant controls testing performed for the group audit and the ability to leverage the results for statutory audits, where appropriate, would provide valuable assistance to auditors planning statutory audits related to group audits.

## MAZUSA

Response: The explanatory material on the commonality of controls and centralized activities, as presented, is clear and appropriate. However, it does not address the communication of the results of procedures performed on common controls or centralized activities to components whose risk assessment or planned nature and extent of procedures may be impacted by the results. We recommend that the Board consider expanding the guidance to include communications by the group engagement team to component auditors.

## MGN

We support the intention behind the application material on commonality of controls and centralised activities. We believe it is a step closer to reality, as there are several instances where a commonality of controls and centralised activities are used. Recognition of this is welcome. We do however also believe that more explanation of the two concepts, together with examples, would be helpful.

## NEXIA

Overall, we do support the additional application material on the commonality of controls and centralized activities. In a number of circumstances, we believe this application guidance may aid auditors in what can be a difficult audit area, particularly in a multi-component environment.

Should paragraph A17 be deleted? Seems to be confusing and conflicting.

We believe that the application material should make a clearer distinction between “commonality of controls” and “centralised activities”. More guidance on the factors to consider, and some examples, would be helpful. Also, whilst the application material addresses the common controls operating across the group, it doesn’t clearly address the controls at the group level that might be applied across the group. There is also a lack of guidance on the extent to which reliance may be placed on these controls and how much evidence is needed on the effectiveness of their operation, particularly in relation to management review controls.

## PKF

Paragraph A59:

ED-600 provides guidance on special considerations relating to commonality of controls and centralized activities. Regarding the former, commonality of controls, in order to rely on these controls, the group engagement team will need to perform testing of operating effectiveness (as per paragraph 8 of extant ISA 330. We have not seen any consequential amendments to ISA 330 in ED-600 to cater for the nature and extent of testing of operating effectiveness for commonality of controls. Will this be limited only to components that are identified (i.e. for the group audit perspective) or all entities or business units?

The additional application material on the commonality of controls and centralized activities is clear and appropriate.

However, there could be a better balance with ED-600 in the emphasis it places on the auditor's response to the assessed risks of material misstatement arising from common controls and centralized activities.

The main body of requirements in ED-600 only refers to the commonality of controls in the risk assessment section but does not include any specific requirements in other relevant sections such as in the response to the assessed risks, or in the section on two-way communication between the group team and the component auditor. As such, we believe that the relevance and importance of group audit procedures over the commonality of controls and centralized procedures in paragraphs A59 – A63) is not given sufficient prominence in ED-600. To address this, we suggest that the taskforce reconsider whether appropriate wording on the commonality of controls and centralized activities could be brought into the body of ED-600 and further expanded in the application material.

Further, the application material is limited to those performed by group management. It is recommended that the application material also include instances when service organizations are used and remind the auditor that, in these cases, of the requirements of ISA 402.

## PwC

Key recommendation 5: We believe the proposed standard needs to address circumstances and conditions when it is justified to share audit evidence across the group to support the audit work that may be needed across components, as well as the associated implications for direction, supervision and review.

Increasing centralisation of accounting and reporting processes into SSCs by group entities means that audit work related to those processes also needs to be performed on a centralised basis by auditors to obtain audit evidence that will be relevant to group audits, audit work at components and stand-alone statutory audits.

The standard should address how component auditors across the group are able to demonstrate that they have fulfilled their responsibilities in relation to evaluating the sufficiency and appropriateness of the shared evidence without duplicating unnecessary effort.

Effective collaboration between a group engagement team and component auditors on the audit evidence that may be needed from procedures performed at centralised activities (such as a SSC) to support the further audit procedures needed in relation to component financial information is therefore important.

Although it could be argued that how component auditors address audit evidence from work performed at centralised locations is tangential to forming an opinion on the group financial statements, it is undoubtedly a special consideration in practice when performing a group audit engagement. Linked to our principle 5, it would be a disservice for the IAASB to ignore or defer consideration of this practical reality in the design and performance of the group and statutory audits in the broader context of a group audit engagement. We note that further changes to ISA 220 are also likely needed in this regard.

#### Group level controls

The clarified guidance is helpful. However, additional clarification is needed on controls that are designed and operated specifically at the group level (i.e., not “common controls” across the group) to ensure this is not inadvertently missed or underplayed.

#### Shared audit evidence

While the standard seeks to clarify the role of SSCs, we believe this is an area that may continue to give rise to questions. In addition to the matters described in our response to question 4, increasing centralisation of accounting and reporting processes into SSCs by group entities means that audit work related to those processes also needs to be performed on a centralised basis by auditors to obtain audit evidence that will be relevant to group audits, audit work at components and stand-alone statutory audits.

How the evidence needed from such procedures is shared appropriately to support such audits can require careful planning. For example, when a component auditor is requested to audit the complete financial information of a component, or an audit of one or more account balances or class of transactions, the sufficiency of audit evidence to “complete” that audit may be contingent upon evidence obtained from testing at one or more centralised locations.

The standard should address how component auditors across the group are able to demonstrate that they have fulfilled their responsibilities in relation to evaluating the sufficiency and appropriateness of the shared evidence without duplicating unnecessary effort.

Effective collaboration between a group engagement team and component auditors on the audit evidence that may be needed from procedures performed at centralised activities (such as a SSC) to support the further audit procedures needed in relation to component financial information is therefore important.

Although it could be argued that how component auditors address audit evidence from work performed at centralised locations is tangential to forming an opinion on the group financial statements, it is undoubtedly a special consideration in practice when performing a group audit engagement. It would be a disservice for the IAASB to ignore or defer consideration of this practical reality in the design and performance of the

group and statutory audits in the broader context of a group audit engagement. We note that further changes to ISA 220 are also likely needed in this regard.

## RSM

Yes, we support the concepts of the commonality of controls and centralised activities. More widely, we particularly appreciate Appendix 3 on Understanding the Group's System of Internal Control.

The application material in paragraph A59-A63, provides clear, useful guidance on the commonality of controls.

Centralised activities are increasingly common, and we welcome the inclusion of the application material in paragraphs A64-A65. However, we believe that the guidance could be expanded further to address the practical challenges that can arise when centralised audit work performed on centralised activities needs to be included in a component auditor's documentation. Furthermore, paragraph A6 states, 'the group engagement team may determine that a shared service centre is a component for purposes of the group audit. It would be useful to include factors to consider in making this determination.

We agree with the omission from ED-600 of the term "group-wide controls" as discussed in paragraphs 70-73 of the Explanatory Memorandum, because, in our view, it could cause confusion in practice and lead to inconsistent interpretations and approaches.

## 6. Public Sector Organizations

### AGA

Yes, overall the application guidance on common controls is clear, however ED-600.A63 states "typically, the processing of transactions and related controls at a shared service center operate in the same way for all transactions regardless of the entity or business unit . . ." This statement may not always be correct and frequently there can be key variations in controls that should not be overlooked by the engagement team and if the team uses this approach, their sample size would not be sufficient if they treat the controls as a single population. The guidance would be more beneficial if it stated, "When the processing of transactions and related controls at a shared service center operate in the same way for all transactions regardless of the entity or business unit and the auditor has taken sufficient steps to confirm the operations of such controls . . ."

### AGC

Yes, we support the additional application material on the commonality of controls and centralized activities. We believe this application material is clear and insightful. The requirement in paragraph 24 (a) (i) c. about obtaining an understanding of the extent to which the group's business model integrates the use of IT may be challenging to implement in situations where there are many different component auditors or when there are many levels of components. It may also significantly increase the involvement of IT specialists in a group audit.

### AGSA

Yes, this will help with efficiencies in the group audit where commonality of controls and centralised activities exist including deeper understanding of the entity's internal controls, identification of weaknesses/risks and formulating appropriate responses to the risks to lower detection risk. However, the ED-600 does not

include whether there are any requirements or responsibilities of the component auditors with regards to commonality of controls and centralised activities.

#### GAO

We believe that the IAASB's addition of more application material on the commonality of controls and centralized activities is useful to auditors. The inclusion of a few more examples could further improve the application material in this area.

### 7. Member Bodies and Other Professional Organizations

#### AE

Yes, we support the application material on the commonality of controls and centralised activities which are two different types of group-wide controls. They should be considered separately when obtaining an understanding of the entity and deciding on whether to rely on controls. The application material can be enriched by providing more examples on the factors to be considered when deciding on whether to rely on the controls and how to test them.

We do note however, that some of our members did not recognise the assumption that group auditors have been placing undue reliance on group-wide controls as asserted in paragraph 71 of the Explanatory Memorandum.

#### CAANZ-ACCA

According to the feedback received there is a need for more clarity on what truly is a common control and what would still need to be separately tested. Furthermore, the judgement of whether you have a common control appears to be framed too broadly causing concern that controls may be relied on as common controls when, in reality, they are not.

#### CalCPA

We agree with the material presented in the Appendix and relative to the classification of a control as “common”, we suggest additional guidance at A61 relative to the impact of individuals operating in diverse environments impacted by local practices, training, aptitude and other factors influencing inherent risk.

#### ECA

Yes, except for a linkage to ISA 402 (see above).

#### ICAEW

While the term ‘group-wide controls’ is commonly used in practice we agree that the term is not clearly defined and is interpreted in different ways by auditors and others. However, the application material needs to make a clearer distinction between what is meant by commonality of controls and centralised activities. ED-600 currently only includes a few sentences of explanation of the two concepts and yet controls will be a key area of focus for regulators. More guidance on the factors to consider, and some examples, would be helpful.

In terms of commonality of controls, while the application material addresses the common controls operating across the group it does not clearly address the controls at the group level that might be applied across the group.

There is also a lack of guidance on the extent to which reliance may be placed on these controls and how much evidence is needed on the effectiveness of their operation, particularly in relation to management review controls.

## ICAS

We are supportive of the additional application material on the commonality of controls and centralised activities.

We welcome that the IAASB intends to develop FAQs as part of the implementation support materials to cover to some extent the interrelationship between the work on the group audit and that relating to specific components of the group. We do believe it would be helpful for auditors if more examples were provided on the factors to be considered to help them in their determination as to whether they should seek to rely on common controls and if so, how to test them.

## ICPAS

Response: We believe the ED does not give specific enough detail of how the group auditor would modify their work to address the various situations identified. The ED outlines the need to gain an understanding of the commonality of controls and centralized activities but does not provide application guidance. For example, do you aggregate for testing, at what point is the group auditor placing too much reliance on group controls when component has similar controls? (Application Material - A59-A63)

## IPA

Centralised Services and Controls – while the IPA welcomes the incorporation of material relating to centralised operations and controls (including share services functions), the new guidance is rudimentary and should be enhanced

No, the guidance is at too a high level and of minimal practical use. Specific guidance is warranted on matters such as:

The audit of a shared service component

The necessity to understand the information “feeds”/interfaces to shared/centralised systems and where the responsibility lies for the completion and accuracy of such information, and

The impact component management are responsibility for management oversight of shared data.

## KICPA

We support the application material on the commonality of controls and centralized activities from the perspective of maintaining and achieving the quality of group audits, as the group management designs controls that are operated in a common manner across multiple entities or business units and expands the provision of centralized services on a certain activities for efficient management. As for the application material, we would like to suggest the Board provide various examples and the additional application material, taking into account SMPs that have difficulties with identifying the commonality of controls and centralized activities and responding to them accordingly.

## **NYSSCPA**

The inclusion of the application material is useful and dovetails with the flexibility objectives of the multiple auditing frameworks discussed in the ED to effectively plan and perform group audits. It should be clear, however, when following the guidance in the application material that it is optional and subject to auditor's judgment.

## **SAICA**

SAICA supports the additional application material on the commonality of controls and centralised activities included in A59 – A65 of ED-600.

The term, “component” has been defined in ED-600 and should only be used in the context of that definition throughout ED-600. SAICA suggests that an explanation, even as a footnote, be included in paragraph A60 that ‘component’ is being used in the context of ISA 315.

## **Q9 – Disagree**

### **4. National Auditing Standard Setters**

#### **NBA**

The new concepts are not clear. We recommend to add more guidance on how to effectively make use of the commonality of controls (e.g. by whom this needs to be tested and how). The same is applicable for centralized activities.

We are of the opinion that it is confusing that the term component is used for components of the group as well as for components of internal control and for entities under common control (this might be a translation issue).

### **7. Member Bodies and Other Professional Organizations**

#### **SMPAG**

There is potentially a risk that controls that are designed to be common are applied differently in practice in different components. This would exacerbate the problem we note in response to question 8 (c) above.

## **Q9 – No Comment**

### **1. Monitoring Group**

#### **IFIAR**

Where we did not comment on certain specific matters, this should not be interpreted as either approval or disapproval by IFIAR.

#### **IOSCO**

No Comment

### **2. Investors and Analysts**

#### **CRUF**

This response is a summary of the range of opinions discussed at the CRUF meetings

### **3. Regulators and Audit Oversight Authorities**

#### **CEAOB**

It is not intended, however, to include all comments

#### **CPAB**

We fully agree that audit firms must do more to embed audit quality on a consistent basis

#### **IAASA**

IAASA supports the IAASB project to revise ISA 600 to enhance provisions applicable by auditors in audits of group financial statements

#### **MAOB**

We thank you for the opportunity to comment.

### **4. National Auditing Standard Setters**

#### **ICAI**

No Comment

### **7. Member Bodies and Other Professional Organizations**

#### **CAQ**

No Comment

#### **ISCA**

Our comments to selected questions in the ED

#### **WPK**

No comment.

### **8. Academics**

#### **AFAANZ**

Literature cited in submission.

#### **GRAHAM**

No Comment

#### **LI**

No Comment



## 9. Individuals and Others

PITT

No Comment