

**Targeted Sections to Proposed ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements*
(Including the Work of Component Auditors) (Marked from Agenda Item 2-D)**

Grey highlighted paragraphs have not been updated

Audits of the Financial Statements of a Component, Whether for Statutory, Regulatory or Other Reasons

3C. The group auditor may involve component auditors to provide information, or to perform audit work, to fulfill the requirements of this ISA. Component auditors may have greater experience and a more in-depth knowledge of the components and their environments (including local laws and regulations, business practices, language, and culture) than the group auditor. Accordingly, component auditors can be, and often are, involved in all phases of the group audit. (Ref: Para. A8AA)

A8AA. Component auditors may ~~also~~ perform an audit of the financial statements of a component, whether for statutory, regulatory or other reasons, particularly when a component is a legal entity. When a component auditor ~~performs audit work for the purposes of the group audit and is also performing or has completed for~~ an audit of the component financial statements ~~concurrently, the group auditor may be able to use some of the~~ audit work performed on the component financial ~~information~~ statements, provided the group auditor is satisfied that such work is appropriate for purposes of the group audit. In addition, some of the audit work requested by the group auditor may be able to be used by the component auditor for the separate audit of the component financial statements. Component auditors may also adapt the work they perform on the audit of the component financial statements ~~of the component to fulfill also meet~~ the needs of ~~both that audit and the requirements set forth by~~ the group auditor. In any event, the requirements of this ISA apply, including those relating to the direction and supervision of component auditors and the review of their work.

Restrictions on Access to Information or People – Equity Investments

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

Restrictions on Access to Information or People (Ref: Para. 16–17)

A27. Restrictions on access to information or people do not alleviate the requirement for the group auditor to obtain sufficient appropriate audit evidence.

A28. Access to information or people can be restricted for many reasons, such as restrictions imposed by component management, laws or regulations or other conditions, for example, war, civil unrest or outbreaks of disease. Paragraph A130

control of group management, the group engagement partner shall consider the possible effects on the group audit. (Ref: Para. A27–A32)

describes how the group auditor may be able to overcome restrictions on access to component auditor audit documentation.

A29. In some circumstances, ~~the~~ group auditor may be able to overcome restrictions on access to information or people, for example:

- If access to component management or those charged with governance of the component is restricted, the group auditor may request group management or those charged with governance of the group to assist with removing the restriction or otherwise request information directly from group management or those charged with governance of the group. [previously last bullet paragraph A29]

- ~~If~~ ~~When~~ the group has a non-controlling interest in an entity that is accounted for by the equity method, the group auditor 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. ~~Paragraph A29A describes how the group auditor may obtain sufficient appropriate audit evidence when the group has a non-controlling interest in an entity that is accounted for by the equity method and the group auditor's access is restricted.~~;

- ~~When access to component management or those charged with governance of the component is is restricted, the group auditor may be able to perform the work themselves by working with group management or those charged with governance of the group.~~ If the group has a non-controlling interest in an entity that is accounted for by the equity method and the group has representatives who are on the executive board or are members of those charged with governance of the non-controlled entity, the group auditor may discuss with them the non-controlled entity's operations and financial status and obtain financial and other information available to them in their roles. [Previously last bullet paragraph A29]

A29A. When the group has a non-controlling interest in an entity that is accounted for by the equity method and the group auditor's access to information or people at the entity is

restricted, the group auditor may ~~still determine that sufficient appropriate audit evidence~~ be able to obtain information to be used as audit evidence in respect of the entity's financial information-, ~~for example can be obtained by considering:~~

- ~~Considering f~~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 p~~Publicly available information, such as audited financial statements, public disclosure documents, or quoted prices of equity instruments in the non-controlled entity.
- ~~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, the group auditor may discuss with them the non-controlled entity's operations and financial status and obtain financial and other information available to them in their roles.~~

~~A29B~~–It is a matter of professional judgment, particularly in view of the assessed risks of material misstatement of the group financial statements and considering other sources of information that may corroborate or otherwise contribute to audit evidence obtained, whether ~~one, or a combination,~~ of the ~~options~~auditor included in paragraphs A29 or A29A can overcome the restrictions to enable the group auditor to obtain sufficient appropriate audit evidence.¹

A30. When the group auditor cannot overcome restrictions, communicating the restrictions to the group auditor's firm can assist the group auditor in determining an appropriate course of action. For example, the group auditor's firm may:

- Communicate about the restrictions with group management and encourage group management to communicate with regulators. This may be 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.

¹ [ISA 330, paragraph 7\(b\)](#)

	<ul style="list-style-type: none"> • Be required by law or regulation to communicate with regulators, listing authorities, or others, about the restrictions or how to overcome the restrictions.
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Review of Component Auditor Documentation	
<p>Engagement Performance</p> <p>23. In applying ISA 220 (Revised),² the group engagement partner shall take responsibility for the nature, timing and extent of direction and supervision of component auditors and the review of their work, taking into account: (Ref: Para. A48A–A52)</p> <p>(a) Areas of higher assessed risks of material misstatement of the group financial statements, or significant risks identified in accordance with ISA 315 (Revised 2019); and</p> <p>(b) Areas in the audit of the group financial statements that involve significant judgment.</p>	<p>Engagement Performance (Ref: Para. 23)</p> <p>A48A. <u>ISA 220 (Revised) requires the engagement partner to determine that the nature, timing and extent of direction, supervision and review is planned and performed in accordance with the firm’s policies or procedures, professional standards and applicable legal and regulatory requirements, and is responsive to the nature and circumstances of the audit engagement and the resources assigned or made available to the engagement team.</u>³ For a group audit, the approach to direction, supervision and review will be tailored by the group auditor based on the facts and circumstances of the engagement, and will generally include a combination of addressing the group auditor’s firm policies or procedures and group audit-engagement specific responses. [First sentence previously included in paragraph A112C]</p> <p>A49. <u>Paragraph 23 requires the group engagement partner to take responsibility for the nature, timing and extent of the direction and supervision of component auditors and the review of their work. As it–it</u> may be not possible or practical for the group engagement partner to solely fulfill this requirementdetermine the nature, timing and extent of direction, supervision and review, particularly when the engagement team includes a large number of component auditors that may be located in multiple locations. In managing quality at the engagement level, the group engagement partner may assign <u>the design or performance of procedures, tasks or actions to other members of the engagement team to assist the engagement partner in complying with this requirement (see also paragraph 6)</u>such responsibilities to other members of the engagement team. [First sentence previously included in paragraph A112Ba]</p> <p>A50. If component auditors are from a firm other than the group auditor’s firm, the firm’s policies or procedures may be different, or different actions may need to be taken,</p>

² ISA 220 (Revised), paragraph 29

³ ISA 220 (Revised), paragraph 30

respectively, in relation to the nature, timing and extent of direction and supervision of those members of the engagement team, and the review of their work. In particular, firm policies or procedures may require the firm or the group engagement partner to take different actions from those applicable to members of the engagement team within the firm or the network. ~~For example (e.g., in relation to the form, content and timing of communications with component auditors, including the use of group auditor instructions to component auditors).~~ ISA 220 (Revised) provides examples of actions that may need to be taken in such circumstances.⁴

A51. ~~T~~he nature, timing and extent of direction and supervision of component auditors and review of their work may be tailored based on the nature and circumstances of the engagement and, for example:

- The assessed risks of material misstatement. For example, if the group auditor has identified a component that includes a significant risk, an increase in the extent of direction and supervision of the component auditor and a more detailed review of the component auditor's audit documentation may be appropriate.
- The competence and capabilities of the component auditors performing the audit work. For example, if the group auditor has no previous experience working with a component auditor, the group auditor may communicate more detailed instructions, ~~introduce greater in-person supervision,~~ increase the frequency of discussions or other interactions with the component auditors, or assign more experienced ~~group auditors~~ individuals to oversee the component auditor as the work is performed.
- The location of engagement team members, including the extent to which engagement team members are dispersed across multiple locations, including where service delivery centers are used.
- Access to component auditors' audit documentation. For example, ~~where when~~ component auditor ~~working papers~~ audit documentation cannot be transferred out of the jurisdiction, the group auditor may be able to review the audit documentation at the component auditor's location or remotely through the use of technology, when not prohibited by law or regulation ~~more extensive direction~~

⁴ ISA 220 (Revised), paragraph A24-~~A25~~

	<p style="color: red;">and supervision of the component auditor and review of the component auditor's audit documentation may be appropriate (see also paragraphs A27A129–A32A130).</p> <p>A52. There are different ways in which the group engagement partner may take responsibility for directing and supervising component auditors and reviewing their work, for example:</p> <ul style="list-style-type: none"> • Meetings or calls with component auditors to communicate about identified and assessed risks, issues, findings and conclusions. • Reviews of the component auditor's <u>audit</u> documentation in person or remotely when permitted by law and regulation. • Participating in the closing or other key meetings between the component auditors and component management. <p>A52x. <u>ISA 220 (Revised) also requires the engagement partner to review specific audit documentation at appropriate points in time during the audit engagement.</u>⁵</p>
<p>45. The group auditor shall:</p> <p>(a) Discuss significant matters arising from the communications with the component auditor, component management or group management, as appropriate; and</p> <p>(b) Evaluate whether the communications with component auditors, <u>including those in accordance with paragraph 44</u>, are adequate for the group auditor's purposes.</p>	
<p>45A. <u>Based on the evaluation required by paragraph 45(b)</u>, The the group auditor shall <u>also</u> determine whether, and the extent to which, it is necessary for the group auditor to review <u>additional parts of the</u> component auditor audit documentation. In making this determination, the group</p>	<p>Reviewing <u>Additional</u> the Component Auditor's Audit Documentation (Ref: Para. 45A)</p> <p><u>A112x. As explained in paragraphs A48A and A52x, the group engagement partner is required to determine that the nature, timing and extent of direction, supervision and review of component auditors and the review of their work are appropriate given the</u></p>

⁵ [ISA 220 \(Revised\), paragraph 31](#)

<p>auditor shall consider: (Ref: Para. A112B-A113)</p> <p>(a) The nature, timing and extent of the work performed by the component auditor;</p> <p>(b) The determination of the competence and capabilities of the component auditor <u>as determined</u> in accordance with paragraph 21(a); and</p> <p>(c) The direction <u>and</u>, supervision and review of the component auditor <u>and review of their work, including communications from the component auditor.</u></p>	<p><u>nature and circumstances of the group audit engagement, and to review specific audit documentation for the group audit.</u></p> <p>A112B. The determination required by paragraph 45A relates to whether there is a need for the group auditor to review parts of the<u>additional</u> component auditor's audit documentation in order to conclude on the group audit, taking into account:</p> <ul style="list-style-type: none"> • The review performed by the component auditor reviewer(s); and • The review that already may have been done by the group auditor's <u>as part of the</u> ongoing direction, <u>and</u> supervision and review of the work <u>performed of by</u> the component auditor, <u>and the review of component auditor audit documentation by the group auditor during the course of the group audit (e.g., to fulfill the requirements of paragraphs 26C, 38 and 39 of this ISA) or by the group engagement partner in fulfilling the requirement in paragraph 31 of ISA 220 (Revised); and</u> • communications <u>Communications received</u> from the component auditor, <u>including those in</u> accordance with the requirements<u>paragraph 44</u> of this ISA. <p>A112Ba. Paragraph 23 requires the group engagement partner to take responsibility for the nature, timing and extent of the direction and supervision of component auditors and the review of their work. However, as explained in paragraph A49, the group engagement partner may assign such responsibilities to other members of the engagement team. [First sentence moved to paragraph A49. Second sentence deleted as the point is addressed in paragraph A49.]</p> <p>A112C. ISA 220 (Revised) requires the engagement partner to determine that the nature, timing and extent of direction, supervision and review is planned and performed in accordance with the firm's policies or procedures, professional standards and applicable legal and regulatory requirements and is responsive to the nature and circumstances of the audit engagement and the resources assigned or made available to the engagement team.⁶ Paragraph A51 provides guidance for the group auditor in tailoring the nature, timing and extent of the direction and supervision of the component auditor, and the review of their work, to the facts and circumstances of the group audit.</p>
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⁶ ~~ISA 220 (Revised), paragraph 30~~

	<p>[First sentence moved to paragraph A48A; second sentence moved to paragraph A113.]</p> <p>A113. <u>Paragraph A51 provides guidance for the group auditor in tailoring the nature, timing and extent of the direction and supervision of the component auditor, and the review of their work, to the facts and circumstances of the group audit.</u> Other factors that may affect the group auditor’s determination about whether, and the extent to which, it may be necessary to review parts of the <u>additional</u> component auditor’s audit documentation in the circumstances include:</p> <ul style="list-style-type: none"> • The degree to which the component auditor was involved in risk assessment procedures and in the identification and assessment of the risks of material misstatement of the group financial statements; • The significant judgments made by, and the findings or conclusions of, the component auditor about matters that are material to the group financial statements; • The competence and capabilities of <u>more experienced engagement team members from the component auditor firm responsible for reviewing the work of less experienced individuals</u> the component auditor reviewer(s) based on previous experience with those individuals; and • Whether the component auditor and group auditor are subject to common policies or procedures for review of audit documentation.
<p>Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained</p> <p>49. In applying ISA 330,⁷ the group auditor shall evaluate whether sufficient appropriate audit evidence has been obtained from the audit procedures performed, including from the work performed by component auditors, on which to base the group audit opinion. (Ref: Para. A114A–A115C)</p>	<p>Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained <i>Sufficiency and Appropriateness of Audit Evidence</i> (Ref: Para. 49)</p> <p>A114A. The audit of group financial statements is a cumulative and iterative process. As the group auditor performs planned audit procedures, the audit evidence obtained may cause the group auditor to modify the nature, timing or extent of other planned audit procedures as information may come to the group auditor’s attention that differs significantly from the information on which the risk assessment was based. For example:</p>

⁷ ISA 330, paragraph 26

	<ul style="list-style-type: none">• The misstatements identified at a component may need to be considered in relation to other components; or• The group auditor may become aware of access restrictions to information or people at a component because of changes in the environment (e.g., war, civil unrest or outbreaks of disease). <p>In such circumstances, the group auditor may need to reevaluate the planned audit procedures, based on the revised consideration of assessed risks for all or some of the classes of transactions, account balances, or disclosures and related assertions.</p> <p>A115. The evaluation required by paragraph 49 assists the group auditor in determining whether the overall group audit strategy and group audit plan developed to respond to the assessed risks of material misstatement of the group financial statements continues to be appropriate. The requirement in ISA 330⁸ for the auditor, irrespective of the assessed risks of material misstatement, to design and perform substantive procedures for each material account balance, class of transactions and disclosure also may be helpful for purposes of this evaluation in the context of the group financial statements.</p> <p>A115A. The group auditor may further consider matters that may affect the exercise of professional skepticism in a group audit, such as those described in paragraph A9A, when evaluating the sufficiency and appropriateness of audit evidence obtained. In particular, the group auditor may consider whether such matters have inappropriately led the engagement team to:</p> <ul style="list-style-type: none">• Obtain audit evidence that is easier to access rather than obtain evidence that is more relevant and reliable;• Obtain less persuasive evidence than is necessary in the circumstances; or• Design and perform audit procedures in a manner that is biased towards obtaining evidence that is corroborative or excluding evidence that is contradictory. <p>A115B. ISA 220 (Revised) requires the engagement partner to determine, on or before the date of the auditor's report, through review of audit documentation and discussion with</p>
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⁸ ISA 330, paragraph 18

the engagement team, that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued.⁹ Information that may be relevant to the group auditor's evaluation of the audit evidence obtained from the work performed by component auditors depends on the facts and circumstances of the group audit, and may include:

- The communications from the component auditors required by paragraph 44, including the overall findings or conclusions of the component auditors on the work performed for purposes of the group audit;
- Other communications from the component auditors throughout the group audit, including those required by paragraph 26A;
- The group auditor's direction and supervision of the component auditors, and review of their work, including, as applicable, the group auditor's review of ~~the~~ additional component auditor's audit documentation in accordance with paragraph 45A.

A115C. In some circumstances, an overall summary memorandum describing the work performed and the results thereof may provide a basis on its own for the group auditor to conclude that the work performed and audit evidence obtained by the component auditor is sufficient for purposes of the group audit. This may be the case, for example, when the component auditor has been requested to perform specific further audit procedures as identified and communicated by the group auditor.

⁹ ISA 220 (Revised), paragraph 32