

ED-600 Question 13(b) Effective Date

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-600.

(b) Effective Date—Recognizing that ED-600 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of a final ISA. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.

Q13(b) – Comments

1. Monitoring Group

BCBS

We would welcome the earliest possible adoption.

IAIS

The IAIS welcomes the earlier adoption option

IFIAR

We strongly recommend that the IAASB aim to finalize the amended standard as expeditiously as possible and no later than June 2021 (rather than September 2021). We believe the earliest effective date of ED-600 could be for audits of companies with year-ends beginning on or after December 15, 2022; which is aligned with the anticipated effective dates for the revised quality management standards, ISA 220 Quality control for an audit of financial statements, International Standards on Quality Management (ISQM) 1 and ISQM 2.

IOSCO

Furthermore, because of differing effective dates of the standards, even when the Board aligns the related engagement team definitions there may be a period of time when the definitions differ. As such, we encourage the Board to consider the potential implications for group auditors if ISA 600 (Revised) and ISA 220 (Revised) have different effective dates.

3. Regulators and Audit Oversight Authorities

CPAB

The release of ED-600 is long overdue. The nature and frequency of scandals involving foreign components causes significant risk to the global investing public. To allow time for implementation by audit firms, we recommend that there are no unnecessary delays to the effective date of this standard. The earliest effective date of ED-600 is for audits of group financial statements for periods beginning on or after December 15, 2022, which is aligned with the anticipated effective dates for the revised quality management standards, ISA

220 Quality control for an audit of financial statements, International Standards on Quality Management (ISQM) 1 and ISQM 2. We strongly recommend the IAASB aim to finalize this proposed standard no later than June 2021 to support this implementation date.

IRBA

The earliest effective date of ED-600 will be for financial reporting periods beginning on or after 15 December 2022; which is aligned with the anticipated effective dates for the revised quality management standards, ISA 220, ISQM 1 and ISQM 2. We strongly recommend that the IAASB aim to finalise this proposed standard no later than June 2021. The release of ED-600 is overdue, and the nature and frequency of scandals involving foreign components causes significant risk to the investing public globally to delay the effective date of this standard any further than necessary to allow for quality implementation by audit firms.

NASBA

NASBA supports the proposed effective date with early adoption permitted and encouraged.

UKFRC

As noted in our opening remarks, the revision of ED-600 is long overdue. We agree that an 18-month period between the approval of a final ISA and the effective date is reasonable. However, we strongly urge the IAASB to align the effective date of ED-600 with that of the revised quality standards, ISA 220 and ISQM 1 and ISMQ 2. Accordingly, the approval of the final version of ED-600 should not be delayed beyond June 2021.

4. National Auditing Standard Setters

AUASB

The AUASB supports an effective date of 18 months after the approval of the final ISA with earlier application permitted.

CAASB

Due to the nature of group audits, we believe practitioners will require extra time to develop and implement their approach for conducting group audits under ED-600. ED-600 is impacted by many other standards, including ISA 315 (Revised), and proposed ISQM 1, ISQM 2 and ISA 220, which are effective just prior to or at the same time as the proposed effective date for ED-600. This adds to the difficulty in ensuring the effective application of ED-600. Therefore, we recommend that an appropriate effective date for the standard would be for financial reporting periods beginning at least 24 months after the approval of the final ISA. Allowing at least 24 months for implementation will provide sufficient time for firms to develop methodologies, train practitioners, and educate component auditors and entities on the new approach.

CNCC-CSOEC

The only recommendation to the IAASB is to allow sufficient time to firms, especially smaller firms, to implement the ED-600.

IDW

As this standard would have a major impact on the group audits of the largest corporate groups in the world, as well as a major impact on other group audits, we believe that a two-year effective date after issuance would be preferable to 18 months.

KSW

The effective date of ED-600 must be after the effective date of ISA 315 revised. The application and implementation of this ISA must be effected in practice and that the experience in implementation can be leveraged for group audits.

MIA

As there are substantive revisions to the standard, the AASB is of the view that a period of 24 months after approval of a final ISA would be preferable for the AASB to support effective implementation of the final revised standard. Notwithstanding that, earlier application should be permitted and encouraged.

NBA

We consider this a sufficient period for translating and implementing the ISA. However, we recommend clear communication about further implementation support by the IAASB.

5. Accounting Firms

BDO

Effective Date: We would support an Effective Date which has a minimum of 18 months from the point at which the final ISA is published. Although many firms may choose to adopt the new standard earlier, this timeframe would allow sufficient time for many audit firms' methodologies, tools, guidance and training materials to be updated. As ED-600 follows and builds upon ISA 315 (Revised) and the Quality Management set of standards – both of which become effective in years immediately prior to ED-600 – we would recommend that there be at least 1 year between effective date of the Quality Management set of standards and ED-600.

BT

We would advise against applying ISA 600 revised before applying ISA 315 revised. It would not be practical to have a group audit conducted using ISA 315 extant, while ISA 600 revised was referencing ISA 315 revised. The changes to risk assessment in ISA 315 revised could make earlier adoption of ISA 600 revised problematic for regulators, existing audit methodologies and documentation tools. We recommend an effective date for the ISA no earlier than periods commencing on or after 15 December 2022.

CG

We agree with the proposed approach to the effective date together with the permission for and encouragement of earlier application.

CR

We believe the effective date would provide a sufficient period to support effective implementation of the ISA.

DTT

DTTL observes that there is potentially a six-month difference in effective dates between ED-600 and proposed ISA 220 (Revised), based on the webinar held by the IAASB on June 15, 2020, related to ED-600 where an initial targeted approval date of September 2021 was indicated. With the proposed 18-month implementation period after approval of a final ISA, a preliminary estimate is that ED-600 would likely be effective for audits of group financial statements for periods beginning on or after June 15, 2023. The September 2020 IAASB agenda papers presented an effective date for proposed ISA 220 (Revised) for audits of financial statements for periods beginning on or after December 15, 2022.

DTTL notes that a mid-year effective date for the proposed standard will present practical challenges for firms given the nature and extent of changes that would be necessary to a firms' audit approach, including the related guidance and trainings. DTTL recommends that the IAASB consider an effective date that is aligned with the calendar year-end, i.e., for audits of group financial statements for periods beginning on or after December 15, 2023.

Given the fundamental changes to proposed ISA 220 (Revised) and the interplay between management of quality at the engagement level for audits of financial statements and group audit engagements, DTTL is concerned about the implications of proposed ISA 220 (Revised) being effective while extant ISA 600 is still applicable to group audit engagements, and strongly urges the Board to align the effective dates of the two standards (e.g., delay the implementation of proposed ISA 220 (Revised)). If aligning the effective dates is not feasible, the IAASB should issue transitional guidance to bridge any gap should extant ISA 600 still be applicable to group audit engagements when proposed ISA 220 (Revised) is effective.

When considering the matters noted above and the related impact as it pertains to ED-600, in particular the concerns expressed regarding proposed ISA 220 (Revised) and the IESBA Code, DTTL believes that it will be confusing for auditors and users of group financial statements for the three interrelated standards to have differing effective dates, as well as potentially burdensome to the profession to implement these foundational standards without the needed clarity. DTTL believes the IAASB and IESBA should develop a cohesive plan for the finalization and adoption of these standards, including consideration of aligning their effective dates (e.g., either speeding up, or slowing down implementation dates). DTTL believes that the public interest is best served to have clarity on this matter prior to the finalization of ED-600.

ETY

In our jurisdiction the 18 months effective date will be appropriate because the new ISAs are immediately applicable when issued.

EYG

The effective date of ED-600 should be closely considered with the future effective dates of other foundational standards recently revised, in particular ISA 315 (Revised 2019) and proposed ISA 220 (Revised). Significant changes to audit methodologies, enablement and work practices will have to be implemented over the coming years. Because of the linkages of these foundational standards with ED-600, we favor staggering the effective dates to allow focus on implementing ISA 315 (Revised 2019) first, followed by proposed ISA 220 (Revised) and then ED-600. This approach would mean that the standards effective earlier than ED-600 would need to operate with extant ISA 600 for a transition period. As we stated in our comment letter to ED-220, we strongly encourage the IAASB to develop transition guidance for group audits to support such staggered implementation.

Overall, implementation of ED-600 will require significant efforts and planning considerations, including potentially some discussions across networks, in particular to implement the risk-based approach. It will also require early communication and planning with group management and those charged with governance of the group. Implementing a risk-based approach will also be particularly challenging for initial audits.

Assuming staggering of effective dates would result in ED-600 being implemented for audits of periods beginning on or after December 2023 (i.e., resulting in an implementation period of approximately 24 months), we believe this would allow sufficient time for implementation.

Effective date and the relationship to other foundational standards

We have an overarching concern due to the earlier effective dates of the revised key foundational standards (i.e., ISA 315 (Revised 2019), the proposed ISA 220 (Revised) and the ISQM standards) than that of ED-600. Although we support staggered effective dates as noted in our response to Question 13 (b)), we believe that there is a risk of gaps and inconsistencies in the implementation of the revised foundational standards to group audits under extant ISA 600. We therefore recommend that the IAASB carefully considers the potential implications of the transition periods for group audits and provides implementation guidance as to the differences in application expected for those foundational standards in context of extant ISA 600 v. ED-600.

In light of the implementation timing of and efforts needed for the other foundational standards that the IAASB has recently revised, we believe that an effective date for ED-600 for audits of periods beginning on or after December 2023 (i.e., approximately 24 months after expected approval) will be necessary. See Question 13 (b) for more detail.

GT

We are of the view that any proposed effective date needs to take into consideration the number of foundational and other standards that have recently been, or are in the process of being, revised. Firms, and others in the financial reporting eco-system are currently devoting extensive resources to the understanding, implementation of, and training on, ISA 540 (Revised), ISA 315 (Revised), ISA 220 (Revised), ISQM 1 and ISQM 2. To maintain high quality audits, we are of the view that time is needed for the firms to properly embed these standards into their respective methodologies before ED-600 becomes effective. However, we also recognise that other difficulties may be presented in applying extant ISA 600 with ISA 220 (Revised) given the degree of interconnectivity of these standards. As such, we consider it vital that appropriate due diligence is performed to ensure that the approved amendments in ISA 220 (Revised) can be implemented in conjunction with extant ISA 600, and that if necessary, additional implementation guidance is issued in this respect. On balance, we propose an effective date for ED-600 of periods beginning on or after December 15, 2023. This would provide the necessary time for firms to implement all the recently revised standards without the potential detriment to audit quality.

MAZ

A minimum of 18th month of implementation is required.

MAZUSA

Response: The effective date should be for calendar year end engagements, not mid-year. Further, transitional guidance may be needed due to the earlier effective date of ISQM 1, 2 and ISA 220 (Revised).

MGN

Effective date: Many audit methodologies and tools including those sourced by third party providers will need to be rewritten/reprogrammed to take account of some of the approach changes which will be necessitated by ED-600. This could have a major impact, especially on mid-tier and smaller audit practices. We are concerned that the impact of the revisions may not in all cases be proportionate to the amount of improvement in audit quality that will result, particularly in the light of the anticipated effective date. We believe an effective date of December 2023 year ends will not give firms (or indeed third-party providers) sufficient time to revise, update and appropriately train staff on audit tools and methodologies. We strongly believe that the effective date should be December 2024 year ends.

MNP

We believe that ED-600 should be effective for financial reporting periods beginning approximately 24 months after approval of a final ISA to allow a sufficient period for effective implementation.

ED-600 is a substantive revision and will require firms to complete a detailed analysis of the group audit changes to update: internal policies; supplemental guidance; templates; and allow time for appropriate training. Further, group audits are a complex area and the changes will require significant time for group engagement teams to plan and implement with their clients and component auditors.

Additionally, other substantive revisions to ISAs, such as ISA 315 Identifying and Assessing the Risks of Material Misstatement, will also require updates to internal policies, supplemental guidance, templates and training material during this period.

NEXIA

United Kingdom 1

We believe the effective date would provide a sufficient period to support effective implementation of the ISA.

We believe that the group audit standard is a supplement to all other audit standards. Meaning that due to the major changes to a number of other standards, it may be necessary to fully understand those changes first, as the group audit standards will simply layer additional procedures and direction to the engagement team. We suggest that an effective date for periods beginning after December 15, 2023.

United Kingdom 2

No comment.

Given that this is a substantive revision, following major changes to a number of other standards, it is vital that we are given sufficient time to understand the changes and revise our methodology accordingly.

We understand that IAASB may be considering an implementation date of audits of periods beginning on or after 15 June or December 2023. We believe that it should be no earlier than periods beginning on or after 15 December 2023.

13 b. An 18-month implementation date would be difficult to achieve in the UK given the number of other considerations and the changes taking place in the UK audit market. To translate this for use in the UK could take longer than this and would not then leave sufficient time for audit firms to appropriately respond to the changes.

United states 1

United States 2

PKF

Although the revision represents a substantial change from extant ISA 600, we believe that the taskforce and the IAASB should not delay in finalizing ED-600. However, with the release of ISA 540 (Revised), ISA 315 (Revised 2019) and the ISQM's, there needs to be a period to assess post implementation to determine whether those revisions have yielded the desired outcome as many of the concepts of ISA 315 (Revised 2019), ISA 220 (Revised) and the ISQM's are included in ED-600.

Glossary of terms

IAASB International Auditing and Assurance Standards B

PwC

Our experience on the implementation of other recent significant standards, such as ISA 540 (Revised) and ISA 315 (Revised 2019), is that a significant amount of time is needed to properly embed these changes into methodology, supporting tools and technical implementation training. Allowing insufficient time for effective implementation is a direct risk to audit quality.

ISA 600 is a broad standard, addressing all aspects of an audit. In that regard it is a much more significant implementation project than an ISA addressing an individual aspect of an audit.

This standard, which will in many cases involve potentially multiple firms and different networks across the globe in planning and performing a group audit, will require significant investments in revising methodology and the development and implementation of training. Furthermore, as noted, given this standard affects every stage of a group audit, from planning to completion, the methodology will need to be revised, and then the training materials will need to be created and rolled out, at least one complete audit cycle before it is required to be implemented. Feedback from the engagement partners in our outreach indicated that, to provide the greatest opportunity for the implementation of the new approach to be successful, engagement teams would want to be considering how their approach to risk assessment and scoping the engagement might change when conducting the audit of the period prior to the new standard coming into effect. The efforts needed for implementation cannot be underestimated.

The following illustrates the minimum timeline we believe is necessary:

September/December 2021 - Approval of final standard

During 2022 - Development of revised audit methodologies, tools and templates, including audit software revisions (which often require significant lead times)

Q1-Q2 2023 - Pilot testing of proposed changes

Q2-Q4 2023 - Finalise changes to methodology, tools and templates and development of annual audit training programmes for engagement teams

Q2-Q3 2024 - Training programme rollout across territories

December 2024 year-end audits - group engagement teams consider potential changes that may be needed to implement the new standard while concurrently planning and performing the 2024 year-end audit under the extant standard

December 2025 year-ends - formal implementation of the revised standard

We also strongly recommend maintaining a December effective date due to the annual methodology and training programmes in place at many firms.

RSM

We believe that this is an appropriate period for implementation and provides sufficient time for firms to adapt their existing methodologies and develop and roll out update training. Given the significant inter-relationship between ED-600 and proposed ISA 220 (Revised), we believe the implementation date of ED-600 should be the same as or after ISA 220 (Revised).

6. Public Sector Organizations

AGA

The IAASB has released a number of significant changes for the profession in the past 18 months, including ISA 540 and ISA 315. Additional significant changes are anticipated based on ISQM 1 and ISQM 2. I encourage the ISA to stagger the effective dates in order to provide sufficient time for firms and members to implement and learn the changes. Specifically, I encourage the ISA to leave 24 months between the implementation date of ISA 315 and ED-600. As ISA 315 is effective for audits of financial statements for periods beginning on or after December 15, 2021, I would not set an effective date before December 15, 2023. This approach may require an effective date greater than 18 months if ISA-600 (revised) is approved before June 2022.

AGC

An effective date 18 months after approval should provide a sufficient period to support effective implementation of the ISA.

AGM

Yes, this would provide a sufficient period to support effective implementation of the ISA.

AGO

We have no concerns with the proposed transition date.

AGSA

Eighteen months is appropriate to adequately understand, plan and then implement the amendments to the standard.

GAO

We find the 18 months sufficient for an effective date.

PAS

(b) 18 months after approval of a final ISA is a sufficient period to support effective implementation of the ISA.

7. Member Bodies and Other Professional Organizations

AE

For the success of the implementation of the new standard, it will be important to give enough time for firms to digest it, and in particular to smaller firms which rely on off-the-shelf audit tool methodologies. This is particularly relevant considering the recently approved quality management standards that will need to be translated in the near future and then adapted.

BICA

We support the proposed effective date of 18 months after approval of a final ISA with earlier adoption permitted and encouraged.

CAANZ-ACCA

As noted, ED-600 is a substantive revision and once it is approved, we anticipate that the due process will take about one year. Firms of all sizes will need to be provided with sufficient time to update their audit methodologies and to provide the necessary in-house training to their staff. Furthermore, we note that the IAASB should consider that firms are still 'grappling' with ISA 315 implementation, a key standard on which ED-600 is based on. Additionally, the recent approval of ISA 220 (Revised), ISQM2 and ISQM1 will place more burden on firms to prepare for their implementation. Lastly, the current uncertainty in light of Covid-19 provides a further challenge for firms and should also be considered.

We therefore suggest a minimum of 24 months after the approval of the final ISA.

CalCPA

We believe at least 24 months, particularly given disruptions due to Covid-19.

CPAA

b) We are concerned about the appropriateness of the proposed effective date. Our concerns relate to the already significant work which will be required to change firm methodologies and implement new standards recently issued, or due to be issued soon, including ISA 315 and the suite of Quality Management standards (ISQM1, ISQM2 and ISA 220 (Revised)), which will be effective for audits of financial statements for periods beginning on or after December 15, 2021 and December 15, 2022 respectively. Whilst we acknowledge that ED-600 is interconnected and interrelated with these other standards, it would be pragmatic to allow ISA 315 and the suite of quality management standards to be implemented and bedded down before ISA 600 becomes effective, as they each impose significant changes to the audit methodologies implemented by firms. Consequently, the IAASB should consider allowing an implementation timeframe that is reflective of a holistic consideration of these circumstances. We suggest a 24-month period after approval of the final ISA, whilst still allowing early adoption to accommodate those firms which are able, and would prefer, to change their methodologies for all these new standards at one time.

CPAI

Given the substantial changes that will be required to the audit methodologies of firms and the current impact of the COVID-19 Pandemic on the work practices of firms, we would respectfully request a longer implementation period. We believe that a time period of 24 months after the approval of the final ISA to be more appropriate.

ECA

Yes. The period would be sufficient.

EFAA

We believe an appropriate effective date for the standard would be for financial reporting periods beginning approximately 24 months after approval of a final ISA.

IBRACON

Agree.

ICAEW

ED-600 will be a substantive revision and it will follow major revisions to a number of other standards, ISA 540, ISA 315, ISA 220, and two new standards ISQM 1 and 2. Given the effective dates for these other standards, it is vital that audit firms – and commercial providers – are given time to get to grips with these changes, to revise methodologies and audit tools to support effective implementation. This is particularly relevant to smaller audit firms who are reliant on the development of off the shelf audit tool packages and methodologies.

Maintaining alignment of the implementation dates for ISA 220 and ISA 600 for December 2023 year-ends would potentially allow for just 12 months for practitioners to implement ISA 600, because it has only just been exposed, which would be, in our view, insufficient time for such a fundamental standard. This would also result in practical timing challenges for group engagement teams who send our referral instructions to component auditors, in some cases, significantly in advance of the group audit. Based on more recent IAASB discussions a possible outcome for implementation of ISA 600 may be for audits of periods beginning on/after 15 June or December 2023, i.e. for June/December 2024 year-ends. We would support an effective date of no earlier than periods beginning on or after 15 December 2023 (ie. for calendar 2024 year-ends). Given the recent impact of Covid-19 pandemic on audit activities, and ongoing uncertainties, we urge IAASB to keep the proposals for an effective date under review.

Where the revisions to ISA 220 will be effective before the revisions to ISA 600, the IAASB will need to publish timely guidance explaining how the revised requirements in ISA 220 will operate with extant ISA 600.

Given the linkages to ISA 315 we would also encourage IAASB to think about how it can communicate the need for firms, software and training providers to be already thinking about ED-600 when considering revisions to methodologies as a result of the revisions to ISA 315 and to highlight the need to take a more holistic approach here.

ICAS

There will be a need to ensure that sufficient time is allowed for audit firms to become acquainted with the approach set out in the proposed revised standard. There is considerable change occurring at the moment on a number of key ISAs and the aggregate effect of these needs to be considered.

ICPAS

Response: In response to 13. (b), we agree that the effective period for implementation of the final ISA is sufficient.

IMCP

We consider that most of the procedures are already of a general application, so the 18-month period is enough.

INCP

Answer: We believe that 18 months is sufficient time.

We thank you for your attention and are ready to answer any questions.

IPA

An effective date for the revised ISA 600 18 months after approval is appropriate.

MICPA

We are of the view that it should be extended to 24 months after approval of a final ISA as it is deemed more appropriate and allows sufficient time for both the group auditors as well as component auditors to prepare themselves for the implementation of the proposed ISA 600 (Revised) in light of the significant changes that have been proposed.

No commen

NYSSCPA

We believe 18 months would afford an acceptable and appropriate timeframe for adoption.

SAICA

Given the introduction of the risk-based approach, there could be fundamental investments that firms may be required to make to ensure effective implementation of ED-600. Furthermore, given that there have been changes to other foundational standards such as ISA 315 (Revised 2019), proposed ISQM 1, ISQM 2 and ISA 220 (Revised), SAICA is of the view that the effective date should be for financial reporting periods beginning 24 months after the approval of the final ISA.

SAICA welcomes that earlier application of the standard is permitted. However, earlier application should not necessarily be encouraged. SAICA supports the decision by the IAASB to allow for field testing prior to the effective date and believe that this can be encouraged to allow firms to adjust in applying the risk-based approach instead of encouraging early adoption. Early adoption should only occur when firms are ready to fully implement the standard in order to ensure the performance of high quality audits consistent with the requirements of the ISAs.

Another consideration for the IAASB is the fact that in group audit engagements, auditors (group or component) may not all be from the same network firm and that could possibly create inconsistencies within the group audit engagement where some audit firms have adopted the ED-600 and others not. ED-600 needs to give further guidance in this regard.

SMPAG

Once ED-600 has been approved, due process for translation alone would be expected to take about six months. Adopting the translation with additions for national legal issues (if any) may take up to another six months. Once the standard is adopted, we expect firms to need up to six months to change their

methodologies (or adopt their institutes' guidance, which may also take up to six months to develop) and another few months to train all of their staff to use the new standard. For these reasons, a 24-month period after approval would be appropriate for an effective date.

8. Academics

HUNTER

We believe that a maximum of 18 months to understand the revisions of ISA 600 and apply the revisions to audits (where necessary) is a sufficient period of time.

9. Individuals and Others

VERA

b) The period mentioned above seems sufficient.

Q13(b) – No Comment

2. Investors and Analysts

CRUF

No Comment

3. Regulators and Audit Oversight Authorities

CEAOB

No Comment

CSA

No Comment

IAASA

No Comment

MAOB

No Comment

4. National Auditing Standard Setters

AICPA

No comment

HKICPA

No Comment

ICAI

No Comment

JICPA

No comment

NZAuASB

No comment

5. Accounting Firms

KPMG

No comment

7. Member Bodies and Other Professional Organizations

CAQ

No Comment

FAR

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

IIA

No comment

ISCA

No Comment

KICPA

No Comment

NRF

No Comment

SRO AAS

No Comment

TFAC

Comment Letter on ED/2020/1

WPK

No comment.

8. Academics

AFAANZ

No comment

GRAHAM

No Comment

LI

No Comment

9. Individuals and Others

PITT

No Comment