

Proposed International Standard on Auditing (ISA) 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* — Issues and Recommendations

Objective of Agenda Item

The objective of this agenda item is to obtain the Board's views on the recommendations of the ISA 600 Task Force (the 'Task Force') for the proposed revisions to the appendices of ISA 600 as presented in **Agenda Item 1-A** and the conforming and consequential amendments as presented in **Agenda Item 1-B**.

Materials Presented

Agenda Item 1-A Appendices to proposed ISA 600 (Revised)

Agenda Item 1-B Conforming and Consequential Amendments

Introduction

1. At the December 2019 IAASB meeting (see Agenda Item 2 for that meeting), it was noted that the Task Force would focus on updating the appendices to extant ISA 600 following the December meeting. The Task Force has done so and the updated appendices are presented in **Agenda Item 1-A**.
2. It was also noted during the December 2019 meeting that Staff would assess whether conforming or consequential amendments are needed to other IAASB standards as a result of the proposed revisions to ISA 600, in addition to the conforming and consequential amendments to ISA 300¹ previously discussed with the Board. Staff performed this analysis, and identified the conforming and consequential amendments that are presented in **Agenda Item 1-B**.

Approach for the Discussion on Agenda Items

3. The Task Force Chair will present the agenda items in the following order:
 - Appendices to proposed ISA 600 (Revised), as presented in **Agenda Item 1-A**;
 - Conforming and consequential amendments as a result of the revisions to ISA 600, as presented in **Agenda Item 1-B**.
4. The Task Force Chair will take two rounds of comments; one on the appendices to proposed ISA 600 (Revised) and one on the conforming and consequential amendments.

¹ ISA 300, *Planning an Audit of Financial Statements*

Significant Changes and the Rationale for Those Changes

Appendices

5. The table below includes the significant changes, and the rationale for those changes, to the appendices to ISA 600 as included in **Agenda Item 1-A**.

Reference	Significant Changes and the Rationale for Those Changes
Appendix 2	<p>The Task Force aligned this appendix to Appendix 3 in ISA 315 (Revised 2019).² That Appendix explains the components of internal control as well as the limitations of the entity's system of internal control. Given this alignment, the Task Force changed the title of the appendix and the introductory wording.</p> <p>The Task Force linked all matters included in Appendix 2 of extant ISA 600 to the components of internal control and made some initial changes to align Appendix 2 with ISA 315 (Revised 2019). The Task Force will discuss, in its January 2020 Task Force meeting, whether other matters may be added to this Appendix and will further align the appendix with ISA 315 (Revised). The Task Force welcomes the Board's suggestions in this regard.</p>
Appendix 3	<p>The Task Force aligned Appendix 3 with the wording in proposed ISA 600 (Revised) and ISA 315 (Revised 2019).</p> <p>In addition, the events or conditions that were included in the extant appendix have been linked to inherent risk factors and have been presented similar to Appendix 2 of ISA 315 (Revised 2019).</p>
Appendix 4	<p>Given that practice has evolved (firms have worked a decade with extant ISA 600 and many created their own templates for confirmations from component auditor) and to reduce the length of the standard, the Task Force proposes to delete this appendix. If needed, the Task Force is of the view that an example of a component auditor's confirmation could be best placed outside the standard, for example as implementation guidance.</p>
Appendix 5	<p>Appendix 5 summarizes the matters that are required by extant ISA 600 to be included in the group engagement team's letter of instruction, and additional matters that may be included. The Task Force is of the view that the requirements and application material in ISA 600 (Revised) should be organized clearly to minimize the need for such a summary and, if needed, it is best placed outside of the standard. The Task Force therefore proposes to delete the appendix and issue, if needed, implementation guidance of the matters to be included in the group engagement team's letter of instruction.</p>

² ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

Matter for IAASB Consideration

1. The IAASB is asked for its views on the proposed changes to the appendices of proposed ISA 600 (Revised), as presented in **Agenda Item 1-A**.

Conforming and Consequential Amendments

6. The table below includes the significant changes, and the rationale for those changes, reflected in the conforming and consequential amendments, as included in **Agenda Item 1-B**. Minor editorial changes to align with the wording in proposed ISA 600 (Revised) and ISA 220 (Revised)³ are not included below.
7. In addition to the significant changes in the table below, the Task Force liaised with the ISA 220 Task Force about the term ‘other auditor’ given that it has a different meaning because of the changes to ISA 220 (Revised). It was agreed that the Task Force will further consider explaining this term as part of the revisions to ISA 600 as there are no references to ‘other auditor’ in extant ISA 220 or proposed ISA 220 (Revised) and it was not included in the exposure draft of proposed ISA 220 (Revised). As a result, the references to ISA 600 (Revised) in ISA 402⁴ and ISA 501⁵ may need to be updated.

Reference	Significant Changes and the Rationale for Those Changes
ISA 220 (Revised)	
A15A	Reference to joint auditors was deleted from the definition of group engagement partner in the draft of ISA 600 (Revised) and is proposed to be added here as noted by the Task Force during the December 2019 IAASB meeting.
ISA 240⁶	
9(b), A6	These paragraphs were added as part of the non-compliance with laws and regulations (NOCLAR) project. The wording of the requirement has been revised to be more general in referring to additional responsibilities the auditor may have in an audit of group financial statements. Paragraph A6 has been revised to be more specific about the parties to the communication in view of the terminology used in ISA 600 (Revised).

³ Proposed ISA 220 (Revised), *Quality Control for an Audit of Financial Statements*
⁴ ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*
⁵ ISA 501, *Audit Evidence—Specific Considerations for Selected Items*
⁶ ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

ISA 250 (Revised)⁷	
9(b), A8	These paragraphs have been revised consistent with the changes to ISA 240 as described above.
ISA 260 (Revised)⁸	
A4	Changed terminology to refer to group engagement team to be consistent with the terminology in ISA 600 (Revised).
ISA 300	
11A	As discussed and agreed by the Board during the June 2019 IAASB meeting, added requirement for the engagement partner to review the overall audit strategy and audit plan for all audit engagements (previously only a requirement for group audits in extant ISA 600).
A8	Modified the wording of the second bullet to be consistent with the wording in ISA 600 (Revised) and ISA 220 (Revised).
Appendix	Modified the wording of several bullets to be consistent with the wording in ISA 600 (Revised).
ISA 550⁹	
A13	Revised the wording to be consistent with the requirement in paragraph 41B(a) of ISA 600 (Revised).
A38	Revised the wording to remove the word ‘consolidated’ as it is deemed unnecessary given the definition of ‘group’ in ISA 600 (Revised).
ISA 610 (Revised 2013)¹⁰	
A16	Deleted the last bullet because the concept of significant components is no longer used in ISA 600 (Revised).
A31	Revised the wording to be consistent with the terminology in ISA 600 (Revised).

⁷ ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

⁸ ISA 260 (Revised), *Communication with Those Charged with Governance*

⁹ ISA 550, *Related Parties*

¹⁰ ISA 610 (Revised 2013), *Using the Work of Internal Auditors*

ISA 700 (Revised)¹¹	
39(c)	Modified the wording of the required statement in the auditor’s responsibilities section of the auditor’s report in a group audit engagement to be consistent with the wording in ISA 600 (Revised).
Illustrative report (Illustration 2)	Modified the wording in the auditor’s responsibilities section to align with the changes to the requirement in paragraph 39(c) as described above.
ISA 701¹²	
A15	Revised the wording of the first bullet, second sub-bullet to be consistent with the references to ‘access to information or people’ in ISA 600 (Revised), and to broaden the reference as restrictions on access may be encountered by members of the engagement team other than the group engagement team (i.e., may be encountered by component auditors).
ISA 705 (Revised)¹³	
A10	Revised the wording of the second bullet to delete the reference to ‘significant component’ as that term is no longer used in ISA 600 (Revised).
ISA 720 (Revised)¹⁴	
A35, A36	Slight change in wording as the engagement team, as now defined in ISA 220 (Revised), includes component auditors.
ISA 805 (Revised)¹⁵	
2	Revised the wording to be consistent with the wording in ISA 600 (Revised).

Matters for IAASB Consideration

2. The IAASB is asked for its views on the proposed conforming and consequential amendments as presented in Agenda Item 1-B.

¹¹ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

¹² ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

¹³ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*

¹⁴ ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

¹⁵ ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

Task Force Members and Activities, Including Outreach

Task Force Members

1. The Task Force consists of the following members:
 - Len Jui, Task Force Chair (supported by Susan Jones);
 - Robert Dohrer;
 - Josephine Jackson;
 - Rich Sharko (supported by Jamie Shannon);
 - Wolf Böhm; and
 - Dora Burzenski (Correspondent member).
2. Further information about the project can be found [here](#).

Task Force Activities Since the December 2019 IAASB Discussion

3. The Task Force had one videoconference.

Outreach Activities

4. Since the December 2019 Bboard meeting, the Task Force Chair attended the following outreach events or meetings in which ISA 600 was prominently discussed:
 - International Association of Insurance Supervisors' Accounting and Auditing Working Group;
 - Chair of International Organization of Securities Commissions' Committee 1; and
 - Staff of the United States Public Company Accounting Oversight Board.