

**CONFORMING AND CONSEQUENTIAL AMENDMENTS ARISING FROM  
PROPOSED ISA 600 (REVISED) – UPDATED**

**MARKED FROM EXTANT**

**ISQM 1 – QUALITY MANAGEMENT FOR FIRMS THAT PERFORM AUDITS OR  
REVIEWS OF FINANCIAL STATEMENTS, OR OTHER ASSURANCE OR RELATED  
SERVICES ENGAGEMENTS**

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**Application and Other Explanatory Material**

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**Resources** (Ref: Para. 32)

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*Human Resources*

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Engagement Team Members Assigned to Each Engagement (Ref: Para. 32(d))

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A96. ISA 220 (Revised)<sup>1</sup> addresses the responsibility of the engagement partner to determine that members of the engagement team, and any auditor's external experts and internal auditors who provide direct assistance who are not part of the engagement team, collectively have the appropriate competence and capabilities, including sufficient time, to perform the engagement. ISA 600 (Revised)<sup>2</sup> expands on how ISA 220 (Revised) is to be applied in relation to an audit of group financial statements. The responses designed and implemented by the firm to address the competence and capabilities of engagement team members assigned to the engagement may include policies or procedures that address:

- Information that may be obtained by the engagement partner and factors to consider in determining that the engagement team members assigned to the engagement, including those assigned by the firm's network, another network firm or service provider, have the competence and capabilities to perform the engagement.
- How concerns about the competence and capabilities of engagement team members, in particular those assigned by the firm's network, another network firm or service provider, may be resolved.

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<sup>1</sup> ISA 220 (Revised), paragraph 26

<sup>2</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraph 2649

**Information and Communication** (Ref: Para. 33)

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*Communication Within the Firm* (Ref: Para. 33(b), 33(c))

A112. The firm may recognize and reinforce the responsibility of personnel and engagement teams to exchange information with the firm and with one another by establishing communication channels to facilitate communication across the firm.

*Examples of communication among the firm, personnel and engagement teams*

- The firm communicates the responsibility for implementing the firm’s responses to personnel and engagement teams.
- The firm communicates changes to the system of quality management to personnel and engagement teams, to the extent that the changes are relevant to their responsibilities and enables personnel and engagement teams to take prompt and appropriate action in accordance with their responsibilities.
- The firm communicates information that is obtained during the firm’s acceptance and continuance process that is relevant to engagement teams in planning and performing engagements.
- Engagement teams communicate to the firm information about:
  - The client that is obtained during the performance of an engagement that may have caused the firm to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement.
  - The operation of the firm’s responses (e.g., concerns about the firm’s processes for assigning personnel to engagements), which in some cases, may indicate a deficiency in the firm’s system of quality management.
- Engagement teams communicate information to the engagement quality reviewer or individuals providing consultation.
- ~~The Group engagement teams~~ auditor communicates matters to component auditors in accordance with the firm’s policies or procedures, including matters related to quality management at the engagement level.
- The individual(s) assigned operational responsibility for compliance with independence requirements communicates to relevant personnel and engagement teams changes in the independence requirements and the firm’s policies or procedures to address such changes.

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## ISQM 2 – ENGAGEMENT QUALITY REVIEWS

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### Application and Other Explanatory Material

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#### Performance of the Engagement Quality Review (Ref: Para. 24–27)

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#### *Procedures Performed by the Engagement Quality Reviewer* (Ref: Para. 25–27)

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#### Group Audit Considerations

A32. The performance of an engagement quality review for an audit of group financial statements may involve additional considerations for the individual appointed as the engagement quality reviewer for the group audit, depending on the size and complexity of the group. Paragraph 21(a) requires the firm's policies or procedures to require the engagement quality reviewer to take overall responsibility for the performance of the engagement quality review. In doing so, for larger and more complex group audits, the group engagement quality reviewer may need to discuss significant matters and significant judgments with key members of the engagement team other than the group ~~engagement team auditor~~ (e.g., ~~those responsible for performing audit procedures on the financial information of a component auditor~~). In these circumstances, the engagement quality reviewer may be assisted by individuals in accordance with paragraph 20. The guidance in paragraph A22 may be helpful when the engagement quality reviewer for the group audit is using assistants.

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## ISA 220 (REVISED) – QUALITY MANAGEMENT FOR AN AUDIT OF FINANCIAL STATEMENTS

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### Application and Other Explanatory Material

#### Scope of this ISA (Ref: Para. 1)

A1. This ISA applies to all audits of financial statements, including audits of group financial statements. ISA 600 (Revised)<sup>3</sup> deals with special considerations that apply to an audit of group financial statements and when component auditors are involved. ISA 600 (Revised), adapted as necessary in the circumstances, may also be useful in an audit of financial statements when the engagement team includes individuals from another firm. For example, ISA 600 (Revised) may be useful when involving such an individual to attend a physical inventory count, inspect property, plant and equipment, or perform audit procedures at a shared service center at a remote location.

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<sup>3</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

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## Definitions

*Engagement Team (Ref: Para. 12(d))*

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A21A. When joint auditors conduct an audit, the joint engagement partners and their engagement teams collectively constitute the “engagement partner” and “engagement team” for the purposes of the ISAs. This ISA does not, however, deal with the relationship between joint auditors or the work that one joint auditor performs in relation to the work of the other joint auditor.

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The Application of Firm Policies or Procedures by Members of the Engagement Team (Ref: Para. 9, 12(d),17)

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A24. In particular, the firm’s policies or procedures may require the firm or the engagement partner to take different actions from those applicable to personnel when obtaining an understanding of whether an individual from another firm:

- Has the appropriate competence and capabilities to perform the audit engagement. For example, the individual would not be subject to the firm’s recruitment and training processes and therefore the firm’s policies or procedures may state that this determination can be made through other actions such as obtaining information from the other firm or a licensing or registration body. Paragraphs ~~2649~~ and ~~A5960–A646538~~ of ISA 600 (Revised) contain guidance on obtaining an understanding of the competence and capabilities of component auditors.
- Understands the ethical requirements that are relevant to the group audit engagement. For example, the individual would not be subject to the firm’s training in respect of the firm’s policies or procedures for relevant ethical requirements. The firm’s policies or procedures may state that this understanding is obtained through other actions such as providing information, manuals, or guides containing the provisions of the relevant ethical requirements applicable to the audit engagement to the individual.
- Will confirm independence. For example, individuals who are not personnel may not be able to complete independence declarations directly on the firm’s independence systems. The firm’s policies or procedures may state that such individuals can provide evidence of their independence in relation to the audit engagement in other ways, such as written confirmation.

A25. When firm policies or procedures require specific activities to be undertaken in certain circumstances (e.g., consultation on a particular matter), it may be necessary for the firm’s related policies or procedures to be communicated to individuals who are not personnel. Such individuals are then able to alert the engagement partner if the circumstance arises, and this enables the engagement partner to comply with the firm’s policies or procedures. For example, in a group audit engagement, if a component auditor is performing audit procedures on the financial information of a component and identifies a difficult or contentious matter that is relevant to the group financial statements and subject

to consultation<sup>4</sup> under the group auditor's policies or procedures, the component auditor is able to alert the group ~~engagement team~~auditor about the matter.

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### **Relevant Ethical Requirements, Including Those Related to Independence** (Ref: Para. 16–21)

#### *Relevant Ethical Requirements* (Ref: Para. 1, 16–21)

A38. ISA 200<sup>5</sup> requires that the auditor comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements. Relevant ethical requirements may vary depending on the nature and circumstances of the engagement. For example, certain requirements related to independence may be applicable only when performing audits of listed entities. ISA 600 (Revised) includes additional requirements and guidance to those in this ISA regarding communications about relevant ethical requirements with component auditors.

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### **Acceptance and Continuance of Client Relationships and Audit Engagements** (Ref: Para. 22–24)

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A53. Information obtained during the acceptance and continuance process may assist the engagement partner in complying with the requirements of this ISA and making informed decisions about appropriate courses of action. Such information may include:

- Information about the size, complexity and nature of the entity, including whether it is a group audit, the industry in which it operates and the applicable financial reporting framework;
- The entity's timetable for reporting, such as at interim and final stages;
- In relation to group audits, the nature of the control relationships between the parent and its entities and business units; and
- Whether there have been changes in the entity or in the industry in which the entity operates since the previous audit engagement that may affect the nature of resources required, as well as the manner in which the work of the engagement team will be directed, supervised and reviewed.

A54. Information obtained during acceptance and continuance may also be relevant in complying with the requirements of other ISAs, as well as this ISA, for example with respect to:

- Establishing an understanding of the terms of the audit engagement, as required by ISA 210;<sup>6</sup>
- Identifying and assessing risks of material misstatement, whether due to error or fraud, in accordance with ISA 315 (Revised 2019) and ISA 240;<sup>7</sup>
- Understanding the group, ~~its entities and business units~~components and ~~its~~their environments, in the case of an audit of group financial statements in accordance with ISA 600 (Revised),

<sup>4</sup> See paragraph 35.

<sup>5</sup> ISA 200, paragraphs 14 and A16–A19

<sup>6</sup> ISA 210, *Agreeing the Terms of Audit Engagements*, paragraph 9

<sup>7</sup> ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

and directing, supervising and reviewing the work of component auditors;

- Determining whether, and how, to involve an auditor's expert in accordance with ISA 620; and
- The entity's governance structure in accordance with ISA 260 (Revised)<sup>8</sup> and ISA 265.<sup>9</sup>

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### **Engagement Resources** (Ref: Para. 25–28)

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A60. Resources for an audit engagement are primarily assigned or made available by the firm, although there may be circumstances when the engagement team directly obtains resources for the audit engagement. For example, this may be the case when a component auditor is required by statute, regulation or for another reason to express an audit opinion on the financial statements of a component, and the component auditor is also appointed by component management to perform audit procedures on behalf of the group engagement team auditor. In such circumstances, the firm's policies or procedures may require the engagement partner to take different actions, such as requesting information from the component auditor, to determine whether sufficient and appropriate resources are assigned or made available.

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### *Insufficient or Inappropriate Resources* (Ref: Para. 27)

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~~A76. In an audit of group financial statements, when there are insufficient or inappropriate resources in relation to work being performed at a component by a component auditor, the engagement partner may discuss the matter with the component auditor, management or the firm to make sufficient and appropriate resources available.~~

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### **Engagement Performance**

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### *Direction, Supervision and Review* (Ref: Para. 30)

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### The Engagement Partner's Review (Ref: Para. 30–34)

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A92. The engagement partner exercises professional judgment in identifying the areas of significant judgment made by the engagement team. The firm's policies or procedures may specify certain matters that are commonly expected to be significant judgments. Significant judgments in relation to the audit engagement may include matters related to the overall audit strategy and audit plan for

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<sup>8</sup> ISA 260 (Revised), *Communication with Those Charged with Governance*

<sup>9</sup> ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*

undertaking the engagement, the execution of the engagement and the overall conclusions reached by the engagement team, for example:

- Matters related to planning the engagement, such as matters related to determining materiality.
- The composition of the engagement team, including:
  - Personnel using expertise in a specialized area of accounting or auditing;
  - The use of personnel from service delivery centers.
- The decision to involve an auditor's expert, including the decision to involve an external expert.
- The engagement team's consideration of information obtained in the acceptance and continuance process and proposed responses to that information.
- The engagement team's risk assessment process, including situations where consideration of inherent risk factors and the assessment of inherent risk requires significant judgment by the engagement team. The engagement team's consideration of related party relationships and transactions and disclosures.
- Results of the procedures performed by the engagement team on significant areas of the engagement, for example, conclusions in respect of certain accounting estimates, accounting policies or going concern considerations.
- The engagement team's evaluation of the work performed by experts and conclusions drawn therefrom.
- In group audit situations:
  - The proposed overall group audit strategy and group audit plan;
  - Decisions about the involvement of component auditors, including how to direct and supervise them and review their work, ~~including, for example, when there are areas of higher assessed risk of material misstatement of the financial information of a component;~~ and
  - The evaluation of work performed by component auditors and the conclusions drawn therefrom.
- How matters affecting the overall audit strategy and audit plan have been addressed.
- The significance and disposition of corrected and uncorrected misstatements identified during the engagement.
- The proposed audit opinion and matters to be communicated in the auditor's report, for example, key audit matters, or a "Material Uncertainty Related to Going Concern" paragraph.

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## ISA 230 – AUDIT DOCUMENTATION

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### Appendix

(Ref: Para. 1)

#### Specific Audit Documentation Requirements in Other ISAs

This appendix identifies paragraphs in other ISAs that contain specific documentation requirements. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

- ISA 210, *Agreeing the Terms of Audit Engagements* – paragraphs 10–12
- ISA 220 (Revised), *Quality Management for an Audit of Financial Statements* – paragraph 41
- ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements* – paragraphs 45–48
- ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements* – paragraph 30
- ISA 260 (Revised), *Communication with Those Charged with Governance* – paragraph 23
- ISA 300, *Planning an Audit of Financial Statements* – paragraph 12
- ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement* – paragraph 38
- ISA 320, *Materiality in Planning and Performing an Audit* – paragraph 14
- ISA 330, *The Auditor’s Responses to Assessed Risks* – paragraphs 28–30
- ISA 450, *Evaluation of Misstatements Identified during the Audit* – paragraph 15
- ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* – paragraph 39
- ISA 550, *Related Parties* – paragraph 28
- ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* – paragraph ~~59579~~
- ISA 610 (Revised 2013), *Using the Work of Internal Auditors* – paragraph 36–37
- ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information* – paragraph 25

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## ISA 240 – THE AUDITOR’S RESPONSIBILITIES RELATING TO FRAUD IN AN AUDIT OF FINANCIAL STATEMENTS

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### Application and Other Explanatory Material

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#### Responsibility for the Prevention and Detection of Fraud

*Responsibilities of the Auditor* (Ref: Para. 9)

- A6. Law, regulation or relevant ethical requirements may require the auditor to perform additional procedures and take further actions. For example, the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) requires the auditor to take steps to respond to identified or suspected non-compliance with laws and regulations and determine whether further action is needed. Such steps may include the communication of identified or suspected non-compliance with laws and regulations ~~to other between auditors within the engagement team a group, including a group engagement partner, component auditors, or other auditors performing work at components entities or business units~~ of a group for purposes other than the audit of the group financial statements.<sup>10</sup>

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## ISA 250 (REVISED) – CONSIDERATION OF LAWS AND REGULATIONS IN AN AUDIT OF FINANCIAL STATEMENTS

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### Application and Other Explanatory Material

#### Responsibility for Compliance with Laws and Regulations (Ref: Para. 3–9)

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*Responsibility of the Auditor*

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Additional Responsibilities Established by Law, Regulation or Relevant Ethical Requirements (Ref: Para. 9)

- A8. Law, regulation or relevant ethical requirements may require the auditor to perform additional procedures and take further actions. For example, the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) requires the auditor to take steps to respond to identified or suspected non-compliance with laws and regulations and determine whether further action is needed. Such steps may include the communication of identified or suspected non-compliance with laws and

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<sup>10</sup> See, for example, paragraphs R360.16–360.18 A1 of the IESBA Code.

regulations ~~to other~~ between auditors within the engagement team ~~a group, including a group engagement partner, component auditors,~~ or other auditors performing work at ~~components~~ entities or business units of a group for purposes other than the audit of the group financial statements.<sup>11</sup>

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## ISA 260 (REVISED) – COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

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### Application and Other Explanatory Material

#### Those Charged with Governance (Ref: Para. 11)

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- A4. ISA 600 (Revised) includes specific matters to be communicated by the group auditors with those charged with governance of the group.<sup>12</sup> The matters communicated may include those brought to the attention of the group auditor by component auditors that the group auditor judges to be significant to the responsibilities of those charged with governance of the group. Component auditors also may communicate matters to those charged with governance of the component.<sup>13</sup> In those circumstances, the appropriate person(s) with whom the component auditor communicates depends on the engagement circumstances and the matter to be communicated. In some cases, a number of ~~components~~ entities or business units may be conducting the same businesses within the same system of internal control and using the same accounting practices. Where those charged with governance of those ~~components~~ entities or business units are the same (e.g., common board of directors), duplication may be avoided by dealing with these ~~components~~ entities or business units concurrently for the purpose of communication.

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### Appendix 1

(Ref: Para. 3)

### Specific Requirements in ISQM 1 and Other ISAs that Refer to Communications with Those Charged With Governance

This appendix identifies paragraphs in ISQM 1<sup>14</sup> and other ISAs that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

<sup>11</sup> See, for example, paragraphs R360.16–360.18 A1 of the IESBA Code.

<sup>12</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraph 5749

<sup>13</sup> ISA 600 (Revised), paragraph 45(i)

<sup>14</sup> ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

- ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements or Other Assurance or Related Services Engagements* – paragraph 34(e)
- ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* – paragraphs 22, 39(c)(i) and 41–43
- ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements* – paragraphs 15, 20 and 23–25
- ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management* – paragraph 9
- ISA 450, *Evaluation of Misstatements Identified during the Audit* – paragraphs 12-13
- ISA 505, *External Confirmations* – paragraph 9
- ISA 510, *Initial Audit Engagements—Opening Balances* – paragraph 7
- ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* – paragraph 38
- ISA 550, *Related Parties* – paragraph 27
- ISA 560, *Subsequent Events* – paragraphs 7(b)-(c), 10(a), 13(b), 14(a) and 17
- ISA 570 (Revised), *Going Concern* – paragraph 25
- ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* – paragraph ~~57~~<sup>49</sup>
- ISA 610 (Revised 2013), *Using the Work of Internal Auditors* – paragraphs 20 and 31
- ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements* – paragraph 46
- ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report* – paragraph 17
- ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report* – paragraphs 12, 14, 23 and 30
- ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* – paragraph 12
- ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements* – paragraph 18
- ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information* – paragraphs 17—19

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## ISA 300 – PLANNING AN AUDIT OF FINANCIAL STATEMENTS

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### Requirements

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### Planning Activities

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10A. The engagement partner shall review the overall audit strategy and audit plan.

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### Application and Other Explanatory Material

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### Planning Activities

*The Overall Audit Strategy* (Ref: Para. 7–8)

A8. The process of establishing the overall audit strategy, subject to the completion of the auditor's risk assessment procedures, may include such matters as:

- The nature of resources (human, technological or intellectual) to be deployed for specific audit areas. For example, the deployment of experienced team members for high risk areas, or the assignment of experts to address complex matters;
- The amount of resources to be allocated to specific audit areas. For example, the number of team members assigned to attend the physical inventory count at multiple locations, the nature and extent of direction and supervision of component auditors and the review of ~~other~~ auditors' their work in the case of group audits, or the audit budget in hours to allocate to high risk areas;
- When these resources are to be deployed, such as whether at an interim audit stage or at key cutoff dates; and
- How such resources are directed, supervised or used. For example, when team briefing and debriefing meetings are expected to be held, how engagement partner and manager reviews are expected to take place (for example, on-site or off-site).

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### Appendix

(Ref: Para. 7–8, A8–A11)

### Considerations in Establishing the Overall Audit Strategy

This appendix provides examples of matters the auditor may consider in managing quality at the engagement level. Many of these matters will influence the auditor's overall audit strategy and detailed

audit plan. The examples provided cover a broad range of matters applicable to many engagements. While some of the matters referred to below may be required by other ISAs, not all matters are relevant to every audit engagement and the list is not necessarily complete.

### Characteristics of the Engagement

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- The expected audit ~~coverage scope~~, including the ~~number and locations of components to be included~~ at which audit work is expected to be performed for purposes of a group audit, and the ~~extent to which component auditors will be involved~~.
- The nature of the control relationships between a parent and its ~~components~~ entities or business units that determine how the group is to be consolidated.
- ~~The extent to which components are audited by other auditors.~~
- The nature of the business segments to be audited, including the need for specialized knowledge.
- The reporting currency to be used, including any need for currency translation for the financial information audited.
- The ~~requirement need~~ for an audit of financial statements for statutory, regulatory or other reasons, audit of standalone financial statements in addition to an audit work performed for consolidation purposes of a group audit.

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### Reporting Objectives, Timing of the Audit, and Nature of Communications

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- Communication with component auditors of components regarding the expected types and timing of ~~reports to be issued and other communications~~ in connection with the audit work performed for purposes of the group audit of components.
- The expected nature and timing of communications among engagement team members, including the nature and timing of team meetings and timing of the review of audit work performed.

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### Significant Factors, Preliminary Engagement Activities, and Knowledge Gained on Other Engagements

- The determination of materiality in accordance with ISA 320<sup>15</sup> and, where applicable:
  - The determination of component performance materiality for components and communication thereof to component auditors in accordance with ISA 600 (Revised).<sup>16</sup>
  - The initial expectations about the preliminary identification of significant components and material classes of transactions, account balances and disclosures that may be significant.

<sup>15</sup> ISA 320, *Materiality in Planning and Performing an Audit*

<sup>16</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraphs 21–23 and 40(e)35–36

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## ISA 315 (REVISED 2019) – IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT

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### Application and Other Explanatory Material

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#### Risk Assessment Procedures and Related Activities (Ref: Para. 13–18)

A11. The risks of material misstatement to be identified and assessed include both those due to fraud and those due to error, and both are covered by this ISA. However, the significance of fraud is such that further requirements and guidance are included in ISA 240 in relation to risk assessment procedures and related activities to obtain information that is used to identify and assess the risks of material misstatement due to fraud.<sup>17</sup> In addition, the following ISAs provide further requirements and guidance on identifying and assessing risks of material misstatement regarding specific matters or circumstances:

- ISA 540 (Revised)<sup>18</sup> in regard to accounting estimates;
- ISA 550 in regard to related party relationships and transactions;
- ISA 570 (Revised)<sup>19</sup> in regard to going concern; and
- ISA 600 (Revised)<sup>20</sup> in regard to group financial statements

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#### Engagement Team Discussion (Ref: Para. 17–18)

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#### Scalability

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A45. When an engagement is carried out by a large engagement team, such as for an audit of group financial statements, it is not always necessary or practical for the discussion to include all members in a single discussion (for example, in a multilocation audit), nor is it necessary for all the members of the engagement team to be informed of all the decisions reached in the discussion. The engagement partner may discuss matters with key members of the engagement team including, if considered appropriate, those with specific skills or knowledge, and those responsible for the work to be performed at audits of components, while delegating discussion with others, taking into account

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<sup>17</sup> ISA 240, paragraphs 12–27

<sup>18</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

<sup>19</sup> ISA 570 (Revised), *Going Concern*

<sup>20</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

the extent of communication considered necessary throughout the engagement team. A communications plan, agreed by the engagement partner, may be useful.

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### Identifying and Assessing the Risks of Material Misstatement (Ref: Para. 28–37)

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#### *Assessing Risks of Material Misstatement at the Assertion Level*

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#### Significant Risks (Ref: Para. 32)

Why significant risks are determined and the implications for the audit

A218. The determination of significant risks allows for the auditor to focus more attention on those risks that are on the upper end of the spectrum of inherent risk, through the performance of certain required responses, including:

- ...
- ISA 600 (Revised) requires the group auditor to evaluate the appropriateness of the design and performance of further audit procedures for areas of higher assessed risks of material misstatement of the group financial statements, or significant risks, on which a component auditor is determining the further audit procedures to be performed more involvement by the group engagement partner if the significant risk relates to a component in a group audit and for the group engagement team to direct the work required at the component by the component auditor.<sup>21</sup>

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## ISA 320 – MATERIALITY IN PLANNING AND PERFORMING AN AUDIT

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### Definitions

9. For purposes of the ISAs, the following terms have the meanings attributed below:

- (a) P<sub>r</sub>-performance materiality – means –The amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce aggregation risk to an appropriately low level ~~the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.~~ If applicable, performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.
- (b) Aggregation risk – The probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statement as a whole.

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<sup>21</sup> ISA 600, paragraphs 30 and 34-42

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## **Application and Other Explanatory Material**

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### **Determining Materiality and Performance Materiality When Planning the Audit**

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#### *Performance Materiality (Ref: Para. 11)*

A13. Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated, and leaves no margin for possible undetected misstatements. Performance materiality (which, as defined, is one or more amounts) is set at less than materiality for the financial statements as a whole to reduce aggregation risk~~reduce to an appropriately low level to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.~~ Similarly, performance materiality relating to a materiality level determined for a particular class of transactions, account balance or disclosure is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in that particular class of transactions, account balance or disclosure exceeds the materiality level for that particular class of transactions, account balance or disclosure. The determination of performance materiality is not a simple mechanical calculation and involves the exercise of professional judgment. It is affected by the auditor's understanding of the entity, updated during the performance of the risk assessment procedures; and the nature and extent of misstatements identified in previous audits and thereby the auditor's expectations in relation to misstatements in the current period.

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## **ISA 402 – AUDIT CONSIDERATIONS RELATING TO AN ENTITY USING A SERVICE ORGANIZATION**

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## **Application and Other Explanatory Material**

### **Obtaining an Understanding of the Services Provided by a Service Organization, Including Internal Control**

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#### *Further Procedures When a Sufficient Understanding Cannot Be Obtained from the User Entity (Ref: Para. 12)*

...

A19. Another auditor may be used to perform procedures that will provide the necessary information about the relevant controls at the service organization related to services provided to the user entity. If a type 1 or type 2 report has been issued, the user auditor may use the service auditor to perform these

procedures as the service auditor has an existing relationship with the service organization. The user auditor using the work of another auditor may find the guidance in ISA ~~220~~600 (Revised)<sup>22</sup> useful as it relates to determining the competence and capabilities of the other understanding another auditor (including that auditor's independence and professional competence), the direction and supervision involvement in the work of the other another auditor, in planning the nature, timing and extent of such the work assigned to the other auditor, and in evaluating the sufficiency and appropriateness of the audit evidence obtained.

...

## ISA 501 – AUDIT EVIDENCE—SPECIFIC CONSIDERATIONS FOR SELECTED ITEMS

...

### Application and Other Explanatory Material

#### Inventory

*Attendance at Physical Inventory Counting* (Ref: Para. 4(a))

...

A3. Matters relevant in planning attendance at physical inventory counting (or in designing and performing audit procedures pursuant to paragraphs 4–8 of this ISA) include, for example:

- The risks of material misstatement related to inventory.
- The nature of the internal control related to inventory.
- Whether adequate procedures are expected to be established and proper instructions issued for physical inventory counting.
- The timing of physical inventory counting.
- Whether the entity maintains a perpetual inventory system.
- The locations at which inventory is held, including the materiality of the inventory and the risks of material misstatement at different locations, in deciding at which locations attendance is appropriate. ~~ISA 600<sup>23</sup> deals with the involvement of other auditors and accordingly may be relevant if such involvement is with regard to attendance of physical inventory counting at a remote location.~~
- Whether the assistance of an auditor's expert is needed. ISA 620<sup>24</sup> deals with the use of an auditor's expert to assist the auditor to obtain sufficient appropriate audit evidence.

...

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<sup>22</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, ~~600—Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)~~, paragraph 2, states: "An auditor may find this ISA, adapted as necessary in the circumstances, useful when that auditor involves other auditors in the audit of financial statements that are not group financial statements ..." See also paragraph 19 of ISA 600.

<sup>23</sup> ~~ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*~~

<sup>24</sup> ISA 620, *Using the Work of an Auditor's Expert*

## ISA 510 – INITIAL AUDIT ENGAGEMENTS—OPENING BALANCES

...

### Appendix

...

#### Illustration 1:

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)<sup>25</sup> does not apply).
- ...

...

#### Illustration 2:

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).
- ...

...

## ISA 550 – RELATED PARTIES

...

### Application and Other Explanatory Material

...

#### Risk Assessment Procedures and Related Activities

...

#### *Understanding the Entity’s Related Party Relationships and Transactions*

...

#### The Identity of the Entity’s Related Parties (Ref: Para. 13(a))

...

<sup>25</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

A13. In the context of a group audit, ISA 600 (Revised) requires the group engagement team auditor to request component auditors to communicate on a timely basis related party relationships not previously identified by group management or the group auditor provide each component auditor with a list of related parties prepared by group management and any other related parties of which the group engagement team is aware.<sup>26</sup> Where the entity is a component within a group, this Such information provides a useful basis for the auditor group auditor's inquiries of management regarding the identity of the entity's related parties.

...

### **Responses to the Risks of Material Misstatement Associated with Related Party Relationships and Transactions** (Ref: Para. 20)

...

#### *Identified Significant Related Party Transactions outside the Entity's Normal Course of Business*

##### Evaluating the Business Rationale of Significant Related Party Transactions (Ref: Para. 23)

A38. In evaluating the business rationale of a significant related party transaction outside the entity's normal course of business, the auditor may consider the following:

- Whether the transaction:
  - Is overly complex (for example, it may involve multiple related parties within a consolidated group).
  - Has unusual terms of trade, such as unusual prices, interest rates, guarantees and repayment terms.
  - Lacks an apparent logical business reason for its occurrence.
  - Involves previously unidentified related parties.
  - Is processed in an unusual manner.
- Whether management has discussed the nature of, and accounting for, such a transaction with those charged with governance.
- Whether management is placing more emphasis on a particular accounting treatment rather than giving due regard to the underlying economics of the transaction.

If management's explanations are materially inconsistent with the terms of the related party transaction, the auditor is required, in accordance with ISA 500,<sup>27</sup> to consider the reliability of management's explanations and representations on other significant matters.

...

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<sup>26</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraph 32(b),40(e)

<sup>27</sup> ISA 500, *Audit Evidence*, paragraph 11

## ISA 570 (REVISED) – GOING CONCERN

...

### Appendix

...

#### **Illustration 1 – Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Statements Is Adequate**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 Revised)<sup>28</sup> does not apply).
- ...

...

#### **Illustration 2 – Qualified Opinion When a Material Uncertainty Exists and the Financial Statements Are Materially Misstated Due to Inadequate Disclosure**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 Revised) does not apply).
- ...

...

#### **Illustration 3 – Adverse Opinion When a Material Uncertainty Exists and Is Not Disclosed in the Financial Statements**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 Revised) does not apply).
- ...

...

<sup>28</sup> ISA 600 Revised, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

## ISA 610 (REVISED 2013) – USING THE WORK OF INTERNAL AUDITORS

...

### Application and Other Explanatory Material

...

#### Determining Whether, in Which Areas, and to What Extent the Work of the Internal Audit Function Can Be Used

...

##### *Determining the Nature and Extent of Work of the Internal Audit Function that Can Be Used*

Factors Affecting the Determination of the Nature and Extent of the Work of the Internal Audit Function that Can Be Used (Ref: Para. 17–19)

...

A16. Examples of work of the internal audit function that can be used by the external auditor include the following:

- Testing of the operating effectiveness of controls.
- Substantive procedures involving limited judgment.
- Observations of inventory counts.
- Tracing transactions through the information system relevant to financial reporting.
- Testing of compliance with regulatory requirements.
- ~~In some circumstances, audits or reviews of the financial information of subsidiaries that are not significant components to the group (where this does not conflict with the requirements of ISA 600).~~<sup>29</sup>

...

#### Determining Whether, in Which Areas and to What Extent Internal Auditors Can Be Used to Provide Direct Assistance

*Determining Whether Internal Auditors Can Be Used to Provide Direct Assistance for Purposes of the Audit* (Ref: Para. 5, 26–28)

A31. In jurisdictions where the external auditor is prohibited by law or regulation from using internal auditors to provide direct assistance, it is relevant ~~for in the circumstances of a the group audit, auditors~~ for the group auditor to consider whether the prohibition also extends to component auditors and, if so, to address this in the communication to the component auditors.<sup>30</sup>

...

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<sup>29</sup> ~~ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*~~

<sup>30</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraph 25(a)40(b)

## ISA 700 (REVISED) – FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

...

### Requirements

...

### Auditor's Report

...

*Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing*

...

Auditor's Responsibilities for the Audit of the Financial Statements

...

39. The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report shall further: (Ref: Para. A50)

...

- (c) When ISA 600 (Revised)<sup>31</sup> applies, further describe the auditor's responsibilities in a group audit engagement by stating that:
  - (i) The auditor's responsibilities are to plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business ~~activities~~ units within the group ~~to as a basis for~~ express forming an opinion on the group financial statements;
  - (ii) The auditor is responsible for the direction, supervision and review performance ~~of the audit work performed for purposes of the group audit~~; and
  - (iii) The auditor remains solely responsible for the auditor's opinion.<sup>32</sup>

...

### Application and Other Explanatory Material

...

**Auditor's Report** (Ref: Para. 20)

...

*Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing*

---

<sup>31</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

<sup>32</sup> ISA 600 (Revised), paragraph 53

...

Basis for Opinion (Ref: Para. 28)

...

Considerations specific to group audits

A38. In group audits ~~for which~~ when there are multiple sources of relevant ethical requirements, including those pertaining to independence, the reference in the auditor’s report to the jurisdiction ordinarily relates to the relevant ethical requirements that are applicable to the group ~~engagement team~~ auditor. This is because, in a group audit, component auditors are also subject to ethical requirements that are relevant to the group audit.<sup>33</sup>

A39. The ISAs do not establish specific independence or ethical requirements for auditors, including component auditors, and thus do not extend, or otherwise override, the independence requirements of the IESBA Code or other ethical requirements to which the group ~~engagement team~~ auditor is subject, nor do the ISAs require that the component auditor in all cases to be subject to the same specific independence requirements that are applicable to the group ~~engagement team~~ auditor. As a result, relevant ethical requirements, including those pertaining to independence, in a group audit situation may be complex. ISA 600 (Revised)<sup>34</sup> provides guidance for auditors in performing work on the financial information of a component for a group audit, including those situations where the component auditor does not meet the independence requirements that are relevant to the group audit.

...

## Appendix

...

### **Illustration 1 – Auditor’s Report on Financial Statements of a Listed Entity Prepared in Accordance with a Fair Presentation Framework**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

- ...

...

### **Illustration 2 – Auditor’s Report on Consolidated Financial Statements of a Listed Entity Prepared in Accordance with a Fair Presentation Framework**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

<sup>33</sup> ISA 600 (Revised), paragraph A56–A57, A66–A68A37

<sup>34</sup> ISA 600 (Revised), paragraphs 25, 2749–20

- **Audit of a complete set of consolidated financial statements of a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**
- ...

## INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

### Report on the Audit of the Consolidated Financial Statements<sup>35</sup>

...

#### Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

...

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ...
- ~~Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to~~ regarding the financial information of the entities or business units within the group as a basis for express-forming an opinion on the consolidated group financial statements. We are responsible for the direction, supervision and review performance of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

...

#### **Illustration 3 – Auditor’s Report on Financial Statements of an Entity Other than a Listed Entity Prepared in Accordance with a Fair Presentation Framework**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- ...

...

#### **Illustration 4 – Auditor’s Report on Financial Statements of an Entity Other than a Listed Entity Prepared in Accordance with a General Purpose Compliance Framework**

<sup>35</sup> The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

**For purposes of this illustrative auditor’s report, the following circumstances are assumed:**

- **Audit of a complete set of financial statements of an entity other than a listed entity required by law or regulation. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- ...

...

## **ISA 701 – COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT AUDITOR’S REPORT**

...

### **Application and Other Explanatory Material**

...

#### **Determining Key Audit Matters (Ref: Para. 9–10)**

...

#### *Matters that Required Significant Auditor Attention (Ref: Para. 9)*

...

A15. Various ISAs require specific communications with those charged with governance and others that may relate to areas of significant auditor attention. For example:

- ISA 260 (Revised) requires the auditor to communicate significant difficulties, if any, encountered during the audit with those charged with governance.<sup>36</sup> The ISAs acknowledge potential difficulties in relation to, for example:
  - Related party transactions,<sup>37</sup> in particular limitations on the auditor’s ability to obtain audit evidence that all other aspects of a related party transaction (other than price) are equivalent to those of a similar arm’s length transaction.
  - Limitations on the group audit, for example, where ~~the group engagement team’s~~ access to information or people may have been restricted.<sup>38</sup>
- ISA 220 (Revised) establishes requirements for the engagement partner in relation to undertaking appropriate consultation on difficult or contentious matters, matters on which the firm’s policies or procedures require consultation,<sup>39</sup> and other matters that in the engagement partner’s professional judgment, require consultation. For example, the auditor may have consulted with others within the firm or outside the firm on a significant technical matter, which may be an indicator that it is a key audit matter. The engagement partner is also required to

<sup>36</sup> ISA 260 (Revised), paragraphs 16(b) and A21

<sup>37</sup> ISA 550, *Related Parties*, paragraph A42

<sup>38</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraph 5749(c)

<sup>39</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, paragraph 35

discuss, among other things, significant matters and significant judgments arising during the audit engagement with the engagement quality reviewer.<sup>40</sup>

...

## ISA 705 (REVISED) – MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR’S REPORT

...

### Application and Other Explanatory Material

...

#### Circumstances When a Modification to the Auditor’s Opinion Is Required

...

*Nature of an Inability to Obtain Sufficient Appropriate Audit Evidence (Ref: Para. 6(b))*

...

A10. Examples of circumstances beyond the control of the entity include when:

- The entity’s accounting records have been destroyed.
- The accounting records of a ~~significant~~ component for which further audit procedures are determined to be necessary for the purposes of the group audit have been seized indefinitely by governmental authorities.

...

## Appendix

...

### **Illustration 1 – Qualified Opinion due to a Material Misstatement of the Financial Statements**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)<sup>41</sup> does not apply).**
- ...

...

### **Illustration 2 – Adverse Opinion due to a Material Misstatement of the Consolidated Financial Statements**

<sup>40</sup> ISA 220 (Revised), paragraph 36

<sup>41</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

**For purposes of this illustrative auditor’s report, the following circumstances are assumed:**

- **Audit of a complete set of consolidated financial statements of a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**
- ...

...

**Illustration 3 – Qualified Opinion due to the Auditor’s Inability to Obtain Sufficient Audit Evidence Regarding a Foreign Associate**

**For purposes of this illustrative auditor’s report, the following circumstances are assumed:**

- **Audit of a complete set of consolidated financial statements of a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**
- ...

...

**Illustration 4 – Disclaimer of Opinion due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about a Single Element of the Consolidated Financial Statements**

**For purposes of this illustrative auditor’s report, the following circumstances are assumed:**

- **Audit of a complete set of consolidated financial statements of an entity other than a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**
- ...

...

**Illustration 5 – Disclaimer of Opinion due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about Multiple Elements of the Financial Statements**

**For purposes of this illustrative auditor’s report, the following circumstances are assumed:**

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- ...

...

## ISA 706 (REVISED) – EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR’S REPORT

...

### Appendix 3

...

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 Revised)<sup>42</sup> does not apply).
- ...

...

### Appendix 4

...

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 Revised) does not apply).
- ...

...

## ISA 710 – COMPARATIVE INFORMATION CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS

...

### Appendix

...

#### Illustration 1 – Corresponding Figures

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 Revised)<sup>43</sup> does not apply).

<sup>42</sup> ISA 600 Revised, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

<sup>43</sup> ISA 600 Revised, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

- ...

...

#### **Illustration 2 – Corresponding Figures**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).
- ...

...

#### **Illustration 3 – Corresponding Figures**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).
- ...

...

#### **Illustration 4 – Comparative Financial Statements**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).
- ...

...

## **ISA 720 (REVISED) – THE AUDITOR’S RESPONSIBILITIES RELATING TO OTHER INFORMATION**

...

### **Application and Other Explanatory Material**

...

**Reading and Considering the Other Information** (Ref: Para. 14–15)

...

*Considering Whether There Is a Material Inconsistency between the Other Information and the Auditor's Knowledge Obtained in the Audit* (Ref: Para. 14(b))

...

A35. The auditor may determine that referring to relevant audit documentation or making inquiries of relevant members of the engagement team, including ~~or~~ relevant component auditors, is appropriate as a basis for the auditor's consideration of whether a material inconsistency exists. For example:

- When the other information describes the planned cessation of a major product line and, although the auditor is aware of the planned cessation, the auditor may make inquiries of the relevant engagement team member who performed the audit procedures in this area to support the auditor's consideration of whether the description is materially inconsistent with the auditor's knowledge obtained during the audit.
- When the other information describes important details of a lawsuit addressed in the audit, but the auditor cannot recall them adequately, it may be necessary to refer to the audit documentation where such details are summarized to support the auditor's recollection.

A36. Whether, and if so the extent to which, the auditor refers to relevant audit documentation, or makes inquiries of relevant members of the engagement team, including ~~or~~ relevant component auditors, is a matter of professional judgment. However, it may not be necessary for the auditor to refer to relevant audit documentation, or to make inquiries of relevant members of the engagement team, including ~~or~~ relevant component auditors, about any matter included in the other information.

...

## Appendix 2

...

**Illustration 1 – An auditor's report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.**

**For purposes of this illustrative auditor's report, the following circumstances are assumed:**

- **Audit of a complete set of financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)<sup>44</sup> does not apply).**
- ...

...

<sup>44</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

**Illustration 2 – An auditor’s report of a listed entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor’s report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor’s report.**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).
- ...

...

**Illustration 3 – An auditor’s report of an entity other than a listed entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor’s report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor’s report.**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).
- ...

...

**Illustration 4 – An auditor’s report of a listed entity containing an unmodified opinion when the auditor has obtained no other information prior to the date of the auditor’s report but expects to obtain other information after the date of the auditor’s report.**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).
- ...

...

**Illustration 5 – An auditor’s report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and has concluded that a material misstatement of the other information exists.**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of any entity, whether listed or other than

listed, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

- ...

...

**Illustration 6 – An auditor’s report of any entity, whether listed or other than listed, containing an qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and there is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of consolidated financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).
- ...

...

**Illustration 7 – An auditor’s report of any entity, whether listed or other than listed, containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and the adverse opinion on the consolidated financial statements also affects the other information.**

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of consolidated financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).
- ...

...

## **ISA 805 (REVISED) – SPECIAL CONSIDERATIONS—AUDITS OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT**

### **Introduction**

#### **Scope of this ISA**

1. This ISA does not apply to circumstances in which the report audit procedures are performed by of a component auditor, issued as a result of work performed on the financial information of a

component ~~at the request of a group engagement team~~ for purposes of an audit of group financial statements (see ISA 600 (Revised)).<sup>45</sup>

...

## **ISRE 2400 (REVISED) – ENGAGEMENTS TO REVIEW HISTORICAL FINANCIAL STATEMENTS**

...

### **Application and Other Explanatory Material**

**Scope of this ISRE** (Ref: Para. 1-2)

...

*Reviews of Financial Information of Components in the Context of an Audit of the Financial Statements of a Group of Entities*

~~A2. Review engagements in accordance with this ISRE may be requested for component entities by the auditor of the financial statements of a group of entities. Such a review engagement performed in accordance with this ISRE may be accompanied by a request from the group auditor to undertake additional work or procedures as needed in the circumstances of the group audit engagement.~~

...

**Acceptance and Continuance of Client Relationships and Review Engagements** (Ref: Para. 29)

...

*Agreeing the Terms of Engagement*

...

~~Review of components of groups of entities~~

~~A54. The auditor of the financial statements of a group of entities may request that a practitioner perform a review of the financial information of a component entity of the group. Depending on the instructions of the group auditor, a review of the financial information of a component may be performed in accordance with this ISRE. The group auditor may also specify additional procedures to supplement the work done for the review performed under this ISRE. Where the practitioner conducting the review is the auditor of the component entity's financial statements, the review is not performed in accordance with this ISRE.~~

...

**Performing the Engagement**

...

---

<sup>45</sup> ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

*The Practitioner's Understanding (Ref: Para. 45–46)*

...

A78. In obtaining an understanding of the entity and its environment, and of the applicable financial reporting framework, the practitioner may also consider:

- Whether the entity is a component of a group of entities, or an associated entity of another entity.
- ...

*Designing and Performing Procedures (Ref: Para. 47, 55)*

...

A80. When the practitioner is engaged to review the financial statements of a group of entities, the planned nature, timing and extent of the procedures for the review are directed at achieving the practitioner's objectives for the review engagement stated in this ISRE, but in the context of the group financial statements.

...

*Analytical Procedures (Ref: Para. 46–47, 49)*

A90. In a review of financial statements, performing analytical procedures assists the practitioner in:

- Obtaining or updating the practitioner's understanding of the entity and its environment, including to be able to identify areas where material misstatements are likely to arise in the financial statements.
- Identifying inconsistencies or variances from expected trends, values or norms in the financial statements such as the level of congruence of the financial statements with key data, including key performance indicators.
- Providing corroborative evidence in relation to other inquiry or analytical procedures already performed.
- Serving as additional procedures when the practitioner becomes aware of matter(s) that cause the practitioner to believe that the financial statements may be materially misstated. An example of such an additional procedure is a comparative analysis of monthly revenue and cost figures across profit centers, branches or other components ~~profit centers, branches or other components~~ of the entity, to provide evidence about financial information contained in line items or disclosures contained in the financial statements

...