

Proposed ISA 600 (Revised)¹ – Issues Paper

Objectives of the IAASB Discussion

The objectives of this Agenda Item are to:

- Obtain the Board's input on the initial views and recommendations of the ISA 600 Task Force (the Task Force) related to the key themes identified by the Task Force in the comment letters on the Exposure Draft of Proposed ISA 600 (Revised) (ED-600).
- Provide a high-level overview of respondents' comments to other questions in the Explanatory Memorandum (EM) to ED-600 ((i.e., other than the key themes).

Introduction

1. ED-600 was published on April 27, 2020 with comments requested by October 2, 2020. In total 82 responses were received from various stakeholder groups:

Monitoring Group	4	Global	21
Investors and Analysts	1	Asia Pacific	13
Regulators and Audit Oversight Authorities	8	Europe	20
National Auditing Standard Setters	12	Middle East and Africa	5
Accounting Firms	17	North America	21
Public Sector Organizations	7	South America	2
Member Bodies and Other Professional Organizations	27		
Academics	4		
Individuals and Others	2		

Appendix 2 to this paper includes the list of respondents to ED-600.

2. During the exposure period the Task Force Chair, Task Force Members and Staff were involved in various outreach events. **Appendix 1** to this paper includes an overview of the outreach performed and the Task Force's activities since the publication of the Exposure Draft. The Task Force also held two webinars. In the first webinar,² the Task Force explained the background of the project and the key proposed revisions to ISA 600³ to more than 700 participants. In the second webinar,⁴ the Task Force answered questions received from stakeholders on ED-600.
3. After the closure of the exposure period, the Task Force discussed the key themes identified in the comment letters on ED-600 (see **supplement A to Agenda Item 4** for a high-level summary

¹ Proposed International Standard on Auditing (ISA) 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

² <https://www.iaasb.org/publications/proposed-isa-600-revised-webinar-recording>

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

⁴ <https://www.iaasb.org/publications/proposed-isa-600-webinar-group-audits>

of the key themes identified). From the key themes identified, the Task Force selected four themes for discussion with the Board in the December 2020 IAASB meeting. These themes were selected as they received more substantial comments or because the Task Force is of the view that these themes would benefit from directional input from the Board.

4. The key themes identified by the Task Force for Board discussion relate to the following:
 - The scope and applicability of ED-600, including the definitions of group financial statements and consolidation process (the ‘entry point’ into ED-600) (Question 4 of the EM, Section I below);
 - The revised definition of component (Question 6 in the EM, Section II below);
 - The risk-based approach, including the involvement of component auditors in identifying, assessing and responding to the risks of material misstatement of the group financial statements (Question 8 in the EM, Section III below); and
 - The revised definition of engagement team, particularly the practical implications of including component auditors in that definition (Part of Question 1 in the EM, section IV below).
5. Each of these key themes is discussed further below, and includes an overview of respondent comments and matters for IAASB consideration. Also, NVivo reports are provided for each of these themes (see table below). **Appendix 3** to this paper sets out the approach to analyzing comments.

Question or Topic	Agenda Paper – Summary of NVivo Analysis	Agenda Paper – Respondent Comments
Question 1(a)	Supplement B.1.1 to Agenda Item 4	Supplement B.2 to Agenda Item 4
Question 1(b)	Supplement B.1.2 to Agenda Item 4	Supplement B.3 to Agenda Item 4
Question 4	Supplement B.1.3 to Agenda Item 4	Supplement B.4 to Agenda Item 4
Question 6	Supplement B.1.4 to Agenda Item 4	Supplement B.5 to Agenda Item 4
Question 8	Supplement B.1.5 to Agenda Item 4	Supplement B.6 to Agenda Item 4
Question 8(a)	Supplement B.1.6 to Agenda Item 4	Supplement B.7 to Agenda Item 4
Question 8(b)	Supplement B.1.7 to Agenda Item 4	Supplement B.8 to Agenda Item 4

6. As noted in paragraph 3 above, the Task Force is looking for directional input on the key themes included in this Agenda Item to help further develop its thinking on these themes.

Section I – Scope and Applicability

7. Paragraph 2 in ED-600 highlights that the proposed standard applies when the auditor has been engaged to audit group financial statements, as defined in paragraph 9(k) of ED-600. The definition of group financial statements retains the notion that group financial statements include the financial information of more than one entity or business unit, similar to the notion in the extant ISA 600 definition of a group that a group always has more than one component.

8. As discussed in paragraph 27 of the EM, the definition of group financial statements in ED-600 includes the term ‘consolidation process.’ The EM explained that, given the importance of the term to the definition of group financial statements, and therefore the scope of ED-600, the IAASB enhanced the description of consolidation process in paragraph 11 of ED-600 to include a reference to:

- A consolidation process being ‘in accordance with the requirements of the applicable financial reporting framework’ with respect to the recognition, measurement, presentation and disclosure, of financial information of entities or business units in the group financial statements. The IAASB determined that this reference was needed because it is the requirements of the applicable financial reporting framework that management follows in preparing the group financial statements; and
- The aggregation of the financial information of branches or divisions. Paragraph A17 of ED-600 provided additional guidance with respect to entities with branches or divisions.

9. In addition, consistent with paragraph 10(b) of extant ISA 600, a combination of entities or business units under common control continues to be included in the description of a consolidation process in ED-600.

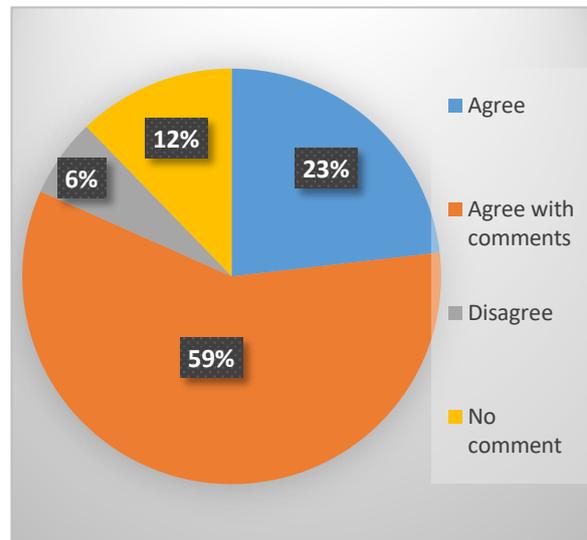
10. Question 4 in the EM asked respondents:

Is the scope and applicability of ED-600 clear? In that regard, do you support the definition of group financial statements, including the linkage to a consolidation process? If you do not support the proposed scope and applicability of ED-600, what alternative(s) would you suggest (please describe why you believe such alternative(s) would be more appropriate and practicable).

What We Heard

11. Responses to Question 4 were as follows (see the separate NVivo reports for further details):

- 19 respondents agreed with the proposals – 23%;
- 48 respondents agreed with comments or concerns, including three Monitoring Group members – 59%;
- 5 respondents did not agree with the proposals – 6%; and
- 10 respondents did not have a specific response, including a Monitoring Group member – 12%.



12. Respondents that agreed with the proposals generally did not offer detailed reasons for their support, other than noting that the scope and applicability of ED-600 is clear. However, it was noted that the inclusion of the reference to a consolidation process in the definition of group financial statements is helpful.

13. Respondents that agreed with the proposals with comments or concerns noted the following:

Definition of Group Financial Statements ('Entry Point')

- (a) Additional clarity is needed on the definition of group financial statements, and in particular

the description of consolidation process in paragraph 11 of ED-600. In this regard, respondents noted or suggested the following:

- The term ‘consolidation process’ as used in ED-600 is not intended to be the same as ‘consolidation’ as defined in applicable financial reporting frameworks (e.g., IFRS 10).⁵ Respondents in some cases were equating the term ‘consolidation process’ with ‘consolidated financial statements.’
 - The term ‘group financial statements’ as used in ED-600 (including in the title of the proposed standard) is broader than how the term is used in applicable financial reporting frameworks.
- (b) Specifically regarding the consolidation process:
- Use of the term ‘consolidation’ adds confusion because the process as described is broader than consolidation in accordance with the requirements of applicable financial reporting frameworks and also includes the ‘aggregation’ of financial information of branches and divisions.
 - A stronger link to paragraph 11 of ED-600 in the definition of group financial statements (paragraph 9(k) of ED-600) is needed.
- (c) Clarity could be provided by revising paragraph 2 of ED-600 (or the Introduction section more broadly) so that it is not necessary to drill down into the standard to determine if it is applicable.

Financial Statements of a Single Legal Entity, Including Those with Branches or Divisions

- (d) With respect to ‘single entity’ financial statements or the application of ED-600 to the financial statements of a single legal entity (e.g., an entity with branches or divisions but no subsidiaries requiring consolidation in accordance with the applicable financial reporting framework), comments included the following (also see point (e) below on branches or divisions):
- Allow for the use of professional judgment in determining whether ED-600 applies to ‘very simple group structures’ or ‘internally structured business units (e.g., branches or divisions)’.
 - Exclude the aggregation of the financial information of branches or divisions from the description of consolidation process in paragraph 11 of ED-600.
 - Clarify that ED-600 also applies to single entity audits in certain circumstances as it may not be clear from the title of the revised standard.
- (e) Confusion with respect to the aggregation of the financial information of branches or divisions, and in particular paragraph A17 of ED-600. In this regard:
- Respondents had mixed views on the distinction being drawn in paragraph A17 of ED-600 between the aggregation of separate financial information and accounting performed centrally (i.e., no aggregation), either understanding the distinction or feeling it was unclear. Respondents provided examples pointing out the potential inconsistency of ED-600 applying or not applying, based on the structure of the entity’s accounting or financial reporting process, to what essentially is the same underlying financial information.

⁵ International Financial Reporting Standard (IFRS) 10, *Consolidated Financial Statements*

- It was noted that the guidance in paragraph A17 of ED-600 causes confusion as it is not clear what the underlying principles are that are driving the distinction between when the financial information is considered to be aggregated versus when it is not. Accordingly, respondents suggested that paragraph A17 of ED-600 needs to be clarified or should be deleted.
- Respondents also noted practical difficulties with the application of the definition of group financial statements, including the concept of ‘aggregation,’ to entities that are not considered to be typical ‘groups.’ It was noted that many larger single entities operate sophisticated ledgers that have separate financial reporting capabilities for aspects of the business, such as revenue streams, segments, or divisions, which may be seen as giving rise to an ‘aggregation process.’ Paragraph A17 of ED-600 was viewed as being unclear as to whether ED-600 applies to such situations.
- Respondents also indicated that clarification may be needed in paragraph A17 of ED-600 or elsewhere regarding the use of a shared service center by a single entity to perform activities centrally with no separate financial information being prepared.

Retention of Paragraph 2 of Extant ISA 600

- (f) Respondents, including two Monitoring Group members, noted that paragraph 2 of extant ISA 600 is considered useful in dealing with scenarios that are not addressed directly by ED-600 and for which the principles and guidance in ED-600 would nonetheless be helpful with respect to the involvement of other auditors in an audit that is not a group audit. If not retained, respondents indicated that the linkage to ISA 220 (Revised)⁶ should be strengthened or clarified.

Additional Guidance or Examples

- (g) Respondents suggested that additional guidance or examples were needed to illustrate the application of ED-600 in different scenarios or to different types of entities or structures, including shared service centers, equity method investees, funds of funds, public sector entities, and ‘letter box’ audits.
14. Respondents that disagreed with the proposals noted points similar to those described in paragraph 13 above, including:
- Potential confusion caused by including ‘consolidation process’ in the definition of group financial statements.
 - Lack of clarity about the aggregation of the financial information of branches or divisions, and paragraph A17 of ED-600.
 - Retention of paragraph 2 of extant ISA 600.

Task Force Discussion and Recommendations

15. The Task Force agrees with respondent comments that further clarity is needed on the linkage between the definition of group financial statements and the description of consolidation process in paragraph 11 of ED-600. The Task Force also agrees that revisions are needed to address comments about the applicability of ED-600 to entities with branches or divisions. As part of addressing these areas, the Task Force discussed expanding the Introduction section of

⁶ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

proposed ISA 600 (Revised) to more fully explain its scope and applicability (see, for example, paragraphs 19, 21 and 25 below).

Definition of Group Financial Statements ('Entry Point')

16. The Task Force discussed whether the reference to 'consolidation process' in the definition of group financial statements could be replaced with 'aggregation process.' The Task Force noted that the original definition of group financial statements presented to the Board in June 2019 referred to an aggregation of financial information. However, the Board concluded at that time that consolidation was a better word because it would be more understandable in the context of financial reporting frameworks.
17. In further discussing the merits of the term 'aggregation' versus 'consolidation,' the Task Force noted the following:
 - The terminology is less important than the clarity of the fundamental principle in the revised standard and the focus on the process. Although the process may differ somewhat depending on the nature and structure of the entity (i.e., the group), the process involves bringing together in a set of financial statements the financial information of more than one entity or business unit, with the elimination of intra-entity or business unit transactions or balances as needed.
 - Simply substituting 'consolidation' with 'aggregation' may not address the comments and confusion without additional explanation. For example, as noted in paragraph 13(e) above, larger single entities may have sophisticated ledgers with separate financial reporting capabilities for aspects of the business, such as revenue streams, segments, or divisions, which may be seen as giving rise to an 'aggregation process.' In addition, further questions may arise about how 'aggregation' in this context relates to the concept of 'aggregation risk' referred to elsewhere in the standard.
 - Providing greater clarity about branches or divisions may also help to address related respondent comments or concerns (see paragraphs 20–25 below).
18. Although recognizing that the term 'aggregation' may help to address the conflation of 'consolidation process' and 'consolidated financial statements,' the initial view of the Task Force is that the reference to 'consolidation process' continues to be appropriate in the definition of group financial statements. The Task Force believes that respondent comments can be addressed through revisions to paragraph 11 of ED-600 and related application material, and by more directly linking the definition of group financial statements to the description of consolidation process, for example:

Group financial statements – Financial statements that include the financial information of more than one entity or business unit through a consolidation process as described in paragraph 11.

The Task Force also discussed other alternatives, such as moving the description of consolidation process in paragraph 11 of ED-600 to become part of the definition of group financial statements (i.e., a more complete definition since both parts need to be considered together).

19. The Task Force also discussed that clarifying that 'consolidation process' as used in ED-600 has a different meaning than the term 'consolidation' as used in applicable financial reporting frameworks may help to address respondent comments. In this regard, the Task Force noted that the term in ED-600 is meant to capture not only consolidated financial statements, but more broadly combined financial statements, equity-accounted investments, and the aggregation of

the financial information of other entities or business units such as branches or divisions. The Task Force will give further consideration to providing additional explanation in the Introduction section of the proposed revised standard, in addition to any revisions to paragraph 11 of ED-600.

Applicability to Entities with Branches or Divisions

20. The Task Force discussed a number of options or approaches for addressing the various comments received on the aggregation of the financial information of branches or divisions, including the apparent confusion regarding paragraph A17 of ED-600.
21. The options discussed included the following:
 - Provide further clarification in the Introduction to proposed ISA 600 (Revised) about branches or divisions, possibly including wording from the relevant section of the EM.
 - Consider removing the ‘scope out’ in paragraph A17 of ED-600 for situations in which the accounting for the branches or divisions may be performed centrally, and there is no separately prepared financial information for the branches or divisions that requires aggregation.
 - Consider suggestions from respondents to permit the use of professional judgment by the group engagement team in determining whether ED-600 applies to an entity with branches or divisions.
22. The intent of paragraph A17 of ED-600 was to provide more clarity about the applicability of ED-600 to branches or divisions within a single entity by bringing in the concept of a consolidation process, including the elimination of interbranch or interdivisional transactions and balances. In such circumstances, the process is nearly indistinguishable from a consolidation of other entities in accordance with the requirements of the applicable financial reporting framework. However, for various reasons, respondents felt it was unclear how this situation differs from circumstances in which the accounting for the branches or divisions is centrally prepared. One of the reasons noted by respondents is that, even when the accounting is done centrally, there would still be some form of ‘aggregation’ of the financial information of the branches or divisions in preparing the entity’s financial statements. Respondents also questioned the meaning of ‘separately prepared’ financial information in this context.
23. Based on its initial discussions, the Task Force view is that the best alternative may be for all instances of entities with branches or divisions to fall within the scope of proposed ISA 600 (Revised). This alternative would help to eliminate any confusion about the applicability of the proposed revised standard in these circumstances. In discussing this alternative, the Task Force also noted the following:
 - Group financial statements are defined in paragraph 9(k) of ED-600 as ‘financial statements that include the financial information of *more than one entity or business unit* through a consolidation process’ (emphasis added). Paragraph 3 of ED-600 indicates that a group may be organized in various ways, for example, by geography, legal or other entities, business or economic units (*including branches or divisions*), which are referred to as ‘entities or business units’ in this ISA (emphasis added). Therefore, the financial statements that include the financial information of more than one branch or division would be group financial statements as defined, and therefore the revised standard would apply.
 - Respondents raised concerns about the revised standard potentially being too burdensome for auditors of less complex entities (e.g., a single legal entity with only two or three branches). In this regard, the Task Force noted that the audit effort may be simplified if the accounting for the branches or divisions is done centrally (e.g., possibility of the group

engagement team performing audit procedures centrally without the need for the involvement of component auditors). The Task Force further noted that for less complex entities, even if separate financial information is prepared at the branch level, the aggregation process may be less complex (e.g., with respect to eliminations of intra-branch transactions or balances).

- The Task Force did not perceive any concerns being raised by respondents about the applicability to more complex entities with a large number of branches or divisions, particularly when those branches or divisions are geographically dispersed or the entity operates in a regulated industry (e.g., banking).
 - In further pursuing this alternative, the Task Force will remain cognizant of concerns about the scalability of proposed ISA 600 (Revised). Additional guidance or examples may be needed.
24. The Task Force also discussed the suggestions from respondents to allow the group engagement team to use professional judgment in determining whether proposed ISA 600 (Revised) would apply to less complex group structures (see paragraph 13(d) above). The Task Force's initial view is that an approach that relies on the use of professional judgment may be seen as contrary to the desire for 'brighter lines' in terms of whether the revised standard would apply.
25. The Task Force recognizes that clarification will be needed to the Introduction section of the revised standard, along with revisions to paragraph 11 of ED-600 and the related application material. Paragraph A17 of ED-600 would be revised to address more broadly the aggregation of the financial information of other entities or business units, including branches or divisions.

Retention of Paragraph 2 of Extant ISA 600

26. The Task Force considered the comments from respondents regarding paragraph 2 of extant ISA 600, including the suggestions to retain the paragraph in the revised standard. In its discussions on ED-600, the IAASB decided not to include a paragraph similar to extant paragraph 2, noting that ISA 220 (Revised) applies to all audits of financial statements, including group audits, and recognizes that individuals from another firm may be involved in an audit, including a single entity audit. Accordingly, the principles and requirements in ISA 220 (Revised) would guide auditors in circumstances other than group audits. The Task Force has reaffirmed that position.
27. At the time ED-600 was issued, the wording of ISA 220 (Revised) was subject to change. The Task Force always intended to provide a link to paragraph A1 of ISA 220 (Revised), which states:
- This ISA applies to all audits of financial statements, including audits of group financial statements. ISA 600 deals with special considerations that apply to an audit of group financial statements, including in those circumstances when component auditors are involved. ISA 600, 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 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 location remote to the engagement team.
28. The Task Force view is that such a link could be provided by repeating this paragraph in proposed ISA 600 (Revised), or by including a reference to it.

Additional Guidance and Examples

29. As indicated in paragraph 13(g) above, many respondents suggested that additional guidance or examples were needed to illustrate the application of ED-600 in different scenarios or to different types of entities or structures. Respondents indicated that such guidance or examples could be provided in the application material or outside the standard (e.g., in implementation support materials).
30. One area in particular noted by respondents for which further guidance would be helpful relates to the application of proposed ISA 600 (Revised) to audits of group financial statements that include equity-accounted investments. Such guidance may include, for example, the ability to use as audit evidence the audited financial statements of an equity-method investee and the determination of component performance materiality for such entities. The Task Force also discussed that the financial statements for an entity that only has investments in associates accounted for at fair value would not be group financial statements, and therefore proposed ISA 600 (Revised) would not apply.
31. The Task Force will explore adding application material, including relevant examples, where deemed important or helpful to support understanding and consistent implementation, while also being mindful of concerns about the length and complexity of the standard. Further consideration also will be given to the development of implementation support materials, as described in paragraph 100 of the EM to ED-600.

Matters for IAASB Consideration

1. What are the IAASB's views on the initial thoughts and recommendations of the Task Force on the following:
 - (a) The definition of group financial statements, including retaining the reference to 'consolidation process' and creating a stronger link to the description of consolidation process in paragraph 11 of ED-600 (see paragraphs 16–19 above)?
 - (b) The applicability of proposed ISA 600 (Revised) to entities with branches or divisions, including the proposal that all instances of entities with branches or divisions fall within the scope of the proposed revised standard, while also recognizing that the audit effort may be simplified for less complex entities (see paragraphs 20–25 above)?
 - (c) Repeating or providing a reference to paragraph A1 of ISA 220 (Revised), in lieu of reinstating paragraph 2 of extant ISA 600 or a similar paragraph (see paragraphs 26–28 above)?

Section II – Definition of Component

32. As indicated in paragraph 32 of the EM, the IAASB discussed the need for clarity about when ED-600 would apply (i.e., the 'entry point') and, when the revised standard applies, how group engagement teams may consider the structure of the group for purposes of planning and performing the group audit. The IAASB determined that clarity could be provided by revising the definitions of 'group financial statements' and 'component,' and describing the relationship between them.
33. Paragraph 34 of the EM notes that the IAASB also concluded that ED-600 should acknowledge that a group engagement team may determine that it is effective and more efficient to obtain audit evidence by planning and performing the group audit based on locations, functions or activities that are not necessarily aligned with how management views the entities or business units

comprising the group. In this regard, the IAASB understands that in practice many group engagement teams consider the group structure as a starting point, but the approach to the group audit may or may not align with that structure due to, for example, the use of shared service centers or the processing of various aspects of a class of transactions at different locations.

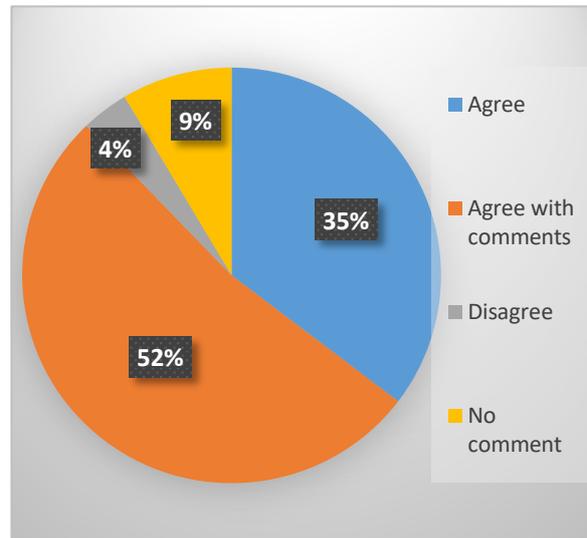
34. Accordingly, the IAASB revised the definition of a component in paragraph 9(b) of ED-600 to reflect the ‘auditor’s view’ for purposes of planning and performing the group audit. The use of the terms ‘location, function or activity’ in this definition is intended to be flexible enough to cover the many ways in which the group engagement team might view the group structure in designing the most effective and efficient approach to planning and performing the group audit. In some circumstances, the group engagement team may approach the group audit by focusing on the way the entity is structured and organized (e.g., according to its legal structure). Alternatively, the group engagement team may decide to approach the group audit by focusing on a combination of locations, functions or activities (e.g., because of the structure of the group’s information system with respect to the processing of transactions or the design and implementation of the system of internal control). Irrespective of the approach used, the group engagement team’s consideration of the risks of material misstatement of the group financial statements encompasses all of the entities and business units that comprise the group (see paragraph A12 of ED-600).
35. Question 6 in the EM asked respondents:

Do you support the revised definition of a component to focus on the ‘auditor view’ of the entities and business units comprising the group for purposes of planning and performing the group audit?

What We Heard

36. Responses to Question 6 were as follows (see the separate NVivo reports for further details):

- 29 respondents agreed with the proposals, including two Monitoring Group members – 35%;
- 43 respondents agreed with comments or concerns, including two Monitoring Group members – 52%;
- 3 respondents did not agree with the proposals – 4%; and
- 7 respondents did not have a specific response – 9%.



37. Respondents that agreed with the proposals noted the following:
- The term ‘component’ is used in ED-600 in the context of conducting the audit. Therefore, it seems appropriate that the auditor should be allowed to take a different view of the entity structure than management for purposes of planning and performing the audit.
 - Global business models continuously evolve in response to changing global trends, their effects on supplier, consumer and labor markets, geopolitical relationships and evolving technology. The implication of this is that many groups have increasingly complex structures, including with more extensive use of shared service centers. Auditors, therefore,

need the flexibility to plan and perform their audits in a manner that will deliver consistently high-quality work across many different group structures. Along with the new risk-based approach, the change in the definition allows for audit teams to take into account the entity's legal, reporting and operational structure in determining the most effective and efficient way to plan and perform the group audit.

- The revised definition will result in a more prominent focus on identifying and responding to risks of material misstatements by the group engagement team based on the components identified, which do not necessarily align with how management views and manages the entities and business units.
 - The “auditor view” of components allows the proposed standard to remain adaptable for use in both simple and complex group audit environments. This flexibility is necessary given that the changing structure of groups (e.g., the use of shared service centers by groups) may result in the auditor planning and performing the audit taking into consideration more factors than simply the entities or business units that make up a group (e.g., commonality of controls, IT systems, or centralized activities).
38. Respondents that agreed with the revised definition but had comments or concerns supported the flexibility provided to the group engagement team in planning and performing the group audit. Specific comments or concerns from these respondents included the following:
- (a) Practical challenges when the ‘auditor’s view’ of components differs from ‘management’s view.’ The practical challenges cited included, among others:
- The availability and accessibility of financial information at the components identified by the group engagement team.
 - The identification of ‘component management’ for purposes of management inquiries and management representations, and how to identify those charged with governance of these components.
 - Potential inconsistencies with segment information in accordance with the applicable financial reporting framework (e.g., IFRS 8).⁷
 - Lack of clarity as to when it would be appropriate to apply an auditor view of components that differs from management’s view (e.g., need for factors to consider in taking an auditor’s view).
 - Other implications, including with respect to risk assessment, determining component performance materiality, and selecting samples from a combined population that includes financial information from an auditor-defined aggregated component.
- (b) Recommendations, including from a Monitoring Group member, that ED-600 emphasize the need for the auditor to first understand management’s view of the business prior to determining components for purposes of testing. Other comments in this regard included the following:
- Although ED-600 refers to the ‘auditor’s view,’ the flexibility allows the auditor to structure the audit more closely to the way in which management operates the business. Operating structures of today are evolving and can be very different from legal entity structures. There is an expectation from group management of large and

⁷ IFRS 8, *Operating Segments*

complex groups that group audits also evolve to be aligned to the group's way of operating rather than mirroring the audit to legal entities or consolidation structure.

- The revised definition and related application material appear to underemphasize that group management may organize its financial reporting in a manner that is different from how its entities and business units within the group are structured. Paragraph A2 of extant ISA 600 provides excellent examples of how management may structure the group's financial reporting system. In many cases, an effective and efficient group audit may be predicated upon the group engagement team identifying components in a manner similar to how management has structured the group or organized its financial reporting. Therefore, the definition of component may need to be augmented to reflect this fact, with the related application material revised accordingly.
 - Despite the flexibility provided by the revised definition, the group engagement team's approach will in many cases be aligned with management's structure.
- (c) Respondents also referred to their responses to Question 8 on the risk-based approach (see the separate discussion in Section III below), noting the need to give further emphasis in the revised standard to the importance of understanding the group's structure, financial reporting processes, systems and internal control as part of risk assessment procedures. Such understanding is necessary to provide a solid foundation for determining components, and for identifying and responding to the risks of material misstatement of the group financial statements.
- (d) Suggestions that ED-600 should also recognize that the consideration of locations, functions or activities for components may also result in defining components at a level that is disaggregated from the group entity's legal structure. Effectively, a component could be a segment of an entity or business unit or may be a function or activity that may operate across business units or across jurisdictions.
- (e) Concerns, including from a Monitoring Group member, that while the 'auditor's view' may provide more flexibility and potentially assist with the scalability of the standard, there may be an increased risk of inappropriate scoping to achieve efficiencies in the audit at the cost of quality. In this regard, respondents recommended that the group engagement team's view of the components for purposes of the group audit should be aligned to management's view, or that the IAASB should consider a requirement for the group engagement team to document its rationale when the auditor's view differs from management's view, and the consequential impact of this on the risk assessment, testing of internal controls and substantive testing.
- (f) Recommendations for additional guidance or examples, either in the application material or implementation support materials, to illustrate the application of the revised definition of a component.
39. Respondents that disagreed with the revised definition of component pointed to paragraph A2 of extant ISA 600, which indicates that groups may organize their reporting systems in various ways (as noted in paragraph 38(b) above), or noted that the group engagement team's determination of components should align with the way the financial information of the group is organized.

Task Force Discussion and Recommendations

40. The Task Force noted that, on balance, there was much support for the revised definition, albeit with the need for further clarification and guidance. The Task Force view is that some of the comments or concerns on the revised definition of a component stem from the references to ‘auditor’s view’ and ‘management’s view’ of the entities or business units comprising the group. Respondents in some cases appeared to believe that the auditor can take a radically different view of the structure when determining components for purposes of planning and performing the group audit. Several important points may need to be re-emphasized in the revised standard, including that in practice many group engagement teams consider the group structure as a starting point (see paragraph 33 above).

Group Engagement Team Determination of Components

41. The Task Force view is that the references in ED-600 to ‘management’s view’ and ‘auditor’s view’ of the entities or business units comprising the group may not have been sufficiently clear. The intent in using these terms was to provide flexibility for the group engagement team to look beyond the group’s legal structure to plan and perform the group audit in a way that takes into account different and increasingly complex group structures and information systems, including the use of shared service centers. This flexibility in the group engagement team’s approach is nonetheless predicated on the understanding of the group and its environment, including the group’s financial reporting processes, as required by ISA 315 (Revised 2019).⁸
42. The Task Force believes that it would be helpful to revisit the guidance in paragraph A2 of extant ISA 600 and emphasize that management may organize its financial reporting in a manner that is different from the legal or operating structure of the group, and that the auditor may base the determination of components on the way management has structured the financial reporting process. Although this guidance essentially was retained in paragraph A54 of ED-600, the guidance may need to be relocated to support the definition of a component or to the Introduction of the revised standard.
43. Based on its understanding of the group and the way management has structured the group’s financial reporting processes (whether according to the legal structure of the group or in some other manner), the group engagement team is able to further develop its approach to performing audit procedures and obtaining audit evidence by considering, for example:
- The ability to test certain accounts or classes of transactions centrally.
 - The presence of shared service centers.
 - A logical combination (whether by aggregation or disaggregation) of certain entities or business units, for example, combining entities or business units in a particular geography for purposes of testing based on a common information system or internal control.
44. In circumstances in which the group engagement team combines entities or business units for purposes of planning and performing audit procedures, the presumption is that the group engagement team (or component auditor) would be able to identify relevant management responsible for the underlying financial information or internal control. The Task Force will consider the need for additional guidance with respect to component management and those charged with governance.

⁸ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

45. As recommended, the Task Force will further discuss factors the group engagement team may consider in determining components for purposes of planning and performing the group audit. The Task Force also will discuss whether a more specific documentation requirement may be needed (see paragraph 38(e) above), although the Task Force view is that paragraph 57(b) of ED-600 already addresses the group engagement team’s determination of components. Greater clarity may be needed or helpful, however, with respect to communications with those charged with governance about the determination of components.

Wording of the Definition of a Component

46. The Task Force noted that respondents questioned why the definition did not include a reference to entities or business units. In addition, respondents pointed to an apparent inconsistency between the definition of component in paragraph 9(b) of ED-600 and paragraph A12 of ED-600, which refers to entities or business units, while the definition does not.
47. The Task Force acknowledges that a reference to entities or business units was not included in the definition of component in ED-600 to provide a clear differentiation from the definition of group financial statements. However, the Task Force recognizes that changes to the definition itself may be needed to provide additional clarity and will give further consideration to such changes, including the possibility of adding a reference to entities or business units.

Matters for IAASB Consideration

2. What are the IAASB’s views on the initial thoughts and recommendations of the Task Force on the following:
- (a) Providing additional clarity regarding the group engagement team’s determination of components for purposes of planning and performing the group audit (see paragraphs 41-45 above)?
 - (b) In this regard, does the IAASB support relocating paragraph A54 of ED-600, which reflects wording from paragraph A2 of extant ISA 600, to help explain that management may organize its financial reporting in a manner that is different from the legal structure of the group’s entities or business units?

Section III – Risk-Based Approach

48. Paragraphs 49–66 of the EM described the IAASB discussion and views relating to the risk-based approach, and paragraphs 67–69 of the EM described the IAASB discussion and views relating to the communications between the group engagement team and component auditors.
49. Paragraph 50 of the EM highlighted that the risk-based approach for a group audit can be characterized as thinking about what, how and by whom and where, work is to be performed:
- What – determining significant classes of transactions, account balances or disclosures in the group financial statements to identify and assess risks of material misstatement of the group financial statements at the assertion level;
 - How – determining the most appropriate audit strategy (e.g., centralized or decentralized testing, or a combination) and the nature, timing and extent of further audit procedures to address the assessed risks of material misstatement of the group financial statements; and
 - By whom and where – determining whether the group engagement team or component auditors will obtain the audit evidence, and where procedures need to be performed to obtain audit evidence based on the group engagement team’s view of the group structure, in response

to the assessed risks of material misstatement.

50. The EM (paragraph 56) noted that the IAASB is of the view that the risk-based approach better focuses the group engagement team on determining the significant classes of transactions, account balances and disclosures in the group financial statements, and on identifying and assessing the related risks of material misstatement of the group financial statements, compared to a focus on significant components in extant ISA 600. The approach also more closely aligns with the principles in ISA 315 (Revised 2019).
51. As indicated in paragraph 67 of the EM, it was noted in the Invitation to Comment, *Enhancing Audit Quality: A Focus on Professional Skepticism, Quality Control and Group Audits*⁹ that the communication requirements in extant ISA 600 are not specific enough to result in sufficient and appropriate communication between component auditors and the group engagement team during the planning and performance of the group audit. Given this and the importance of two-way communication between the group engagement team and component auditors, the IAASB determined that it was appropriate to include a requirement for the group engagement team to communicate with component auditors about the component auditor's responsibilities and the group engagement team's expectations (see paragraph 43 of ED-600). These communications need to take place at the appropriate points in time throughout the group audit and reflect the component auditor's involvement in various phases of the group audit. ED-600 also includes a list of matters that component auditors should communicate to the group engagement team (see paragraph 44 of ED-600)
52. The IAASB also included application material in ED-600, using the application material in ISA 260 (Revised)¹⁰ as a basis, to provide further explanation about timely communications in the context of a group audit.
53. Question 8 in the EM asked respondents:
- Will the risk-based approach result in an appropriate assessment of the risks of material misstatement of the group financial statements and the design and performance of appropriate responses to those assessed risks? In particular, the IAASB is interested in views about:*
- (a) *Whether the respective responsibilities of the group engagement team and component auditors are clear and appropriate?*
 - (b) *Whether the interactions between the group engagement team and component auditors throughout the different phases of the group audit are clear and appropriate, including sufficient involvement of the group engagement partner and group engagement team?*
 - (c) *What practical challenges may arise in implementing the risk-based approach?*

What We Heard

54. In analyzing the comments on question 8, the Task Force noted that respondents answered this question differently. For example, some respondents answered questions 8, 8(a), 8(b) and 8(c) separately, while others did not provide separate answers to the questions or only answered some of the questions. When respondents did not provide separate answers to the questions, judgment was used in allocating respondents' comments to a question.
55. Given the breadth of question 8 (paragraphs 31–46 of ED-600), the extent of comments received

⁹ <https://www.iaasb.org/publications/invitation-comment-enhancing-audit-quality-public-interest-1>

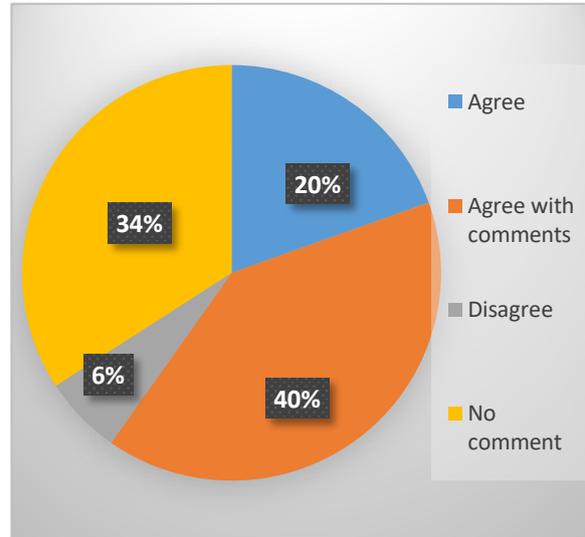
¹⁰ ISA 260 (Revised), *Communication with Those Charged with Governance*

and the wide variety of themes identified, the Task Force decided to focus initially on respondents' comments to questions 8, 8(a) and 8(b). When there were linkages between any of these questions and question 8(c), the Task Force has taken these into account. The analysis of question 8(c) will be presented to the Board in the March 2021 Board meeting.

Question 8: Will the Risk-Based Approach Result in An Appropriate Assessment of the Risks of Material Misstatement of the Group Financial Statements and the Design and Performance of Appropriate Responses to Those Assessed Risks?

56. Responses to Question 8 were as follows (see the separate NVivo reports for further details):

- 16 respondents agreed with the proposals, including two Monitoring Group members – 20%;
- 33 respondents agreed with comments or concerns, including two Monitoring Group members – 40%;
- 5 respondents did not agree with the proposals – 6%; and
- 28 respondents did not have a specific response – 34%.¹¹



57. Respondents who agreed with the proposals noted that the risk-based approach is an effective way to foster audit quality for the reasons set out in the EM, including that extant ISA 600 may not be appropriate in all circumstances and that the risk-based approach will result in a more focused risk assessment. It was also noted that the risk-based approach will lead to a greater understanding of the overall risks at the group financial statement level and that it is better aligned with the principles in ISA 315 (Revised 2019) and ISA 330.¹²

58. The Task Force identified two key themes based on respondents who agreed with the proposals with comments or concerns and respondents that did not agree with the proposals:

- The importance of involving component auditors (see paragraphs 59–63 below); and
- Removal of the concept of significant component (see paragraphs 64–67 below).

The Importance of Involving Component Auditors¹³

59. Respondents, including three Monitoring Group members, that highlighted this theme, generally felt that the strong focus on the group engagement team's responsibility and a top-down approach to the group audit may undermine the important role of the component auditor. It was noted that the risk-based approach may lead the group engagement team to perform a centralized risk assessment without giving adequate consideration to the involvement of component auditors.

¹¹ The high number of respondents that did not have a specific comment is because respondents approached the answer to question 8 differently. Many respondents did not answer question 8 and included their comment as part of question 8(a). Also see paragraph 54 of this Agenda Item.

¹² ISA 330, *The Auditor's Responses to Assessed Risks*

¹³ This section summarizes respondents' comments on the theme 'The importance of involving component auditors' for both questions 8 and 8(a).

60. Respondents noted that the risk-based approach may work well for audits of the group financial statements of fairly homogenous, large corporate groups with an effective system of internal control and whose entities and business units are mostly situated in the same country, with a comparatively uniform language, culture, laws and regulations, and business practices.¹⁴ When this is not the case, the involvement of component auditors is of critical importance to audit quality as not involving component auditors may result in:
- Overlooking significant risks to the group financial statements arising at the component level, particularly for groups that are complex and large. This may in turn lead to an incomplete or inaccurate assessment of risks of material misstatement by the group engagement team and an insufficient response to the assessed risks of material misstatement.
 - A wide diversity in practice across teams and firms due to the highly iterative nature of the requirements and significantly reduced structure imposed by the standard in the approach to determining components and scoping the work (i.e., the extant standard defines what is a significant component, which requires an audit of the component). Respondents added that these changes will result in the need for additional interpretative guidance to be capable of implementing the approach at an appropriate level of consistency.
61. Respondents included several examples of how the group engagement team's assessment of risks of material misstatement could benefit from the component auditor's knowledge. For example, component auditors may have a more thorough understanding of:
- The component's environment, including the economic, legal and social framework, local languages, cultures and business practices;
 - The component's operations; and
 - Fraud, going concern issues or non-compliance with laws and regulations at the component.
62. Furthermore, respondents noted that certain wording in ED-600 may undermine the important role of the component auditor, and could discourage the involvement of component auditors and over-emphasize the role of the group engagement team. For example:
- Paragraph 4 of ED-600 states that component auditors assist the group engagement team in identifying, assessing and responding to the risks of material misstatement of the group financial statements. It was suggested to avoid language that implies that component auditors simply perform procedures to assist the group engagement team, recognizing the role that is often played and the professional judgment and professional skepticism component auditors need to bring to bear in the work performed at components.
 - Paragraphs 25 and 32 of ED-600 require the group engagement team to 'consider' the results of risk assessment procedures performed by the component auditors. It was noted that this wording may be too weak and dismissive of the role of component auditors. It was suggested to change the requirement to 'the group engagement team shall evaluate the results.'
 - It was suggested to avoid using the term 'audit procedures' and instead use the more generic term, 'audit work'. It was noted that the term audit procedures leaves the impression

¹⁴ In addition, one firm field tested the proposals and observed that the requirements appear to be more capable of application to non-complex group structures, groups with centralized operations, or smaller-size groups with no, or limited to few, cross-border locations.

that the group engagement team is always specifying the audit procedures in detail to be performed by the component auditors, rather than allowing the group engagement team flexibility in the level of granularity to which the instructions to the component auditors are given (i.e., in describing the nature, timing and extent of the scope of work requested of the component auditor).

63. Respondents also noted that:

- Given the advances in technology (allowing auditing procedures to be performed remotely), the risk-based approach and the lack of guidance in deciding who should perform the work, the standard may be inconsistently applied. It may also encourage group engagement teams to reduce or eliminate the involvement of component auditors. For example, respondents noted that the factors included in paragraph A71 of ED-600 were deemed insufficient for the decision on whether to involve component auditors in risk assessment procedures and the identification and assessment of risks of material misstatement.
- The standard should clarify how the group engagement team should delegate its responsibility and authority to the component auditors.
- The work of the group engagement team could become excessive because of the additional responsibilities, which would make it difficult to achieve a high-quality group audit.
- Proactive and robust two-way dialogue with component auditors who have performed statutory audits has positive impacts to quality for both the group audit and the statutory audits of components. Where such statutory audits are required, they can be a source of valuable risk assessment information.

Removal of the Concept of Significant Component

64. Respondents that were concerned about the removal of the concept of significant component noted that for some engagements, approaching the audit by focusing on a risk-based approach works well but that for others, a focus on significant components first may remain the best approach (e.g., when there are specific or unique risks associated with a location or business unit).

65. Respondents, including a Monitoring Group member, highlighted that in performing an audit of the financial information of significant components, component auditors perform risk assessment procedures and identify and assess risks of material misstatement on the entire component financial information in accordance with ISA 315 (Revised 2019). When there is no requirement to perform an audit of the financial information of the component, and component auditors may not be involved, the group engagement team may:

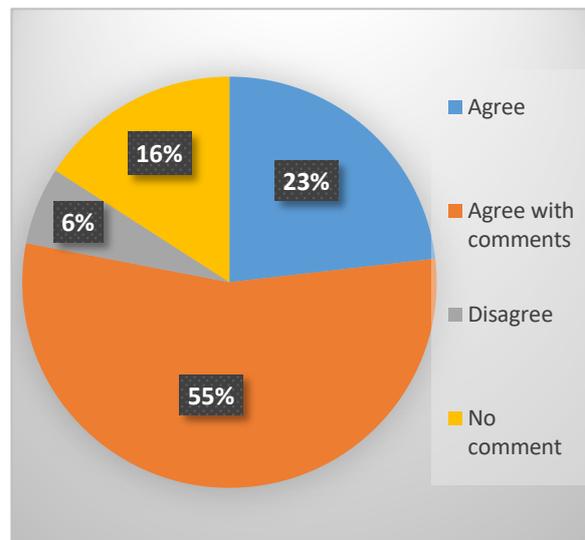
- Inappropriately identify and assess risks of material misstatement, particularly for complex group audits with many components; and
- Not obtain information from the audit of significant components that may have previously helped inform the group engagement team in identifying and assessing risks of material misstatement of the group financial statements.
- Reduce the work performed on a group audit, especially because there is no guidance for the minimum work effort required to be performed on components.

66. In addition, respondents noted that the risk-based approach could lead to risks being missed in relation to related parties, fraud, going concern and non-compliance with laws and regulations. Under extant ISA 600 this was less likely as the standard drives a minimum level of local risk assessment on significant components.
67. Respondents also noted that:
- The standard should include additional guidance explaining when a full-scope audit may be warranted and when targeted audit procedures may be appropriate. Such guidance would benefit group engagement teams in making consistent judgments.
 - Often, significant risks of material misstatement for the group financial statements arise from the financial information of significant components due to their financial information being significant to the group financial statements. The risk-based approach encourages group engagement teams to focus on risks at the expense of considering other significant (financial) information about the group when making scoping decisions.
 - It may be challenging for auditors to consistently apply the risk-based approach, as there is no guidance for the minimum work effort required to be performed on components.

Question 8(a): Are the Respective Responsibilities of the Group Engagement Team and Component Auditors Clear and Appropriate?

68. Responses to Question 8(a) were as follows (see the separate NVivo reports for further details):

- 19 respondents agreed with the proposals, including a Monitoring Group member – 23%;
- 45 respondents agreed with comments or concerns, including three Monitoring Group members – 55%;
- 5 respondents did not agree with the proposals – 6%; and
- 13 respondents did not have a specific response – 16%.



69. Based on respondents' comments to this question the Task Force identified five common themes:
- Importance of involving component auditors (respondents' views are summarized as part of question 8 – see paragraphs 59–63);
 - Responsibilities of the component auditor (see paragraph 70 below);
 - When to review component auditor's documentation (see paragraph 71 below);
 - When to visit component auditors (see paragraph 72 below); and
 - Extent of oversight when component auditors are from a non-network firm (see paragraph 73 below).

Responsibilities of the Component Auditor

70. Respondents noted that ED-600 focuses on the group engagement team’s responsibilities in a group audit engagement, whereas the responsibilities of component auditors are limited to complying with the group engagement team’s instructions and the communication requirements in paragraph 44 of ED-600. Respondents therefore suggested to add more guidance on the responsibilities of component auditors.

When to Review Component Auditor’s Documentation

71. With respect to when to review component auditor’s documentation respondents, including a Monitoring Group member, noted the following:
- There is limited guidance on when the group engagement team should review the component auditor’s documentation. As a result, respondents felt that proposed ED-600 leaves too much flexibility for the group engagement team to conclude that it is not necessary to review the working papers of the component auditor when the component auditor is part of the same network. For example, it was noted that paragraph 45(b) of ED-600 is too flexible as it states that the group engagement team is required to ‘determine whether, and the extent to which, it is necessary to review parts of the component auditor’s audit documentation.’ Respondents recommended:
 - Strengthening the requirements by moving the application material in paragraph A113 of ED-600 (which describes factors affecting the nature, timing and extent of the review of the component auditor’s documentation) into the requirements section.
 - Adding application material to understand to what extent the firm’s policies or procedures impact the nature, timing, and extent of the group engagement team’s review of the component auditor’s documentation.
 - The responsibilities of the group engagement team in relation to documentation that is expected to be retained in the group engagement team’s engagement file where a component auditor is used to perform the risk assessment process is unclear.

When to Visit Component Auditors

72. Respondents, including a Monitoring Group member, noted that there is limited guidance on when a group engagement team is expected to visit component auditors. Given the lack of guidance, respondents felt that proposed ED-600 leaves too much flexibility for the group engagement team to conclude that it is not necessary to visit the component auditor, especially when the component auditor is part of the same network.

Extent of Oversight When Component Auditors Are from a Non-Network Firm

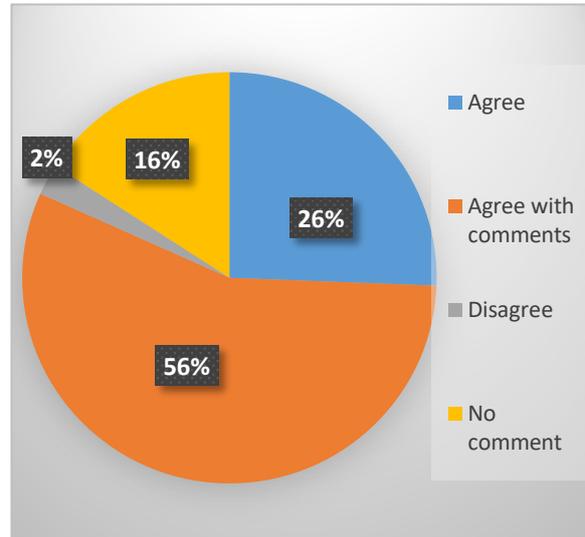
73. With respect to the extent of oversight when component auditors are from a non-network firm, respondents noted that ED-600:
- Appears to indicate that the work effort required to review the component auditor’s work would be reduced if that auditor is from the same network (see paragraph A46 of ED-600). It was suggested that the standard should be neutral in this regard and the work effort should depend on the facts and circumstances of the group audit engagement. It was also noted this is a further reason why some are of the view that component auditors from network firms are being advantaged over component auditors from non-network firms.
 - Is unclear on whether the group engagement team’s direction, supervision, and review of

component auditors needs to be different for component auditors from a network firm versus a non-network firm.

Question 8(b): Are the Interactions Between the Group Engagement Team and Component Auditors Throughout the Different Phases of the Group Audit Clear and Appropriate, Including Sufficient Involvement of The Group Engagement Partner and Group Engagement Team?

74. Responses to Question 8(b) were as follows (see the separate NVivo reports for further details):

- 21 respondents agreed with the proposals – 26%;
- 46 respondents agreed with comments or concerns, including three Monitoring Group members – 56%;
- 2 respondents did not agree with the proposals – 2%; and
- 13 respondents, including a Monitoring Group Member, did not have a specific response – 16%.



75. Respondents that agreed with the proposals indicated their support for the focus on robust two-way communication between the group engagement team and component auditors throughout the group audit engagement. Respondents also noted that effective two-way communication contributes to the quality of the group audit. Paragraphs 4 and 43–46 of ED-600 and the related application material, along with Appendix 1, were found to be helpful in emphasizing the importance of two-way communication.

76. Respondents that generally agreed with the proposals but had comments or concerns or disagreed with the proposals noted that:

- (a) The wording of many of the requirements is more top-down in terms of communication from the group engagement team to the component auditors. Respondents suggested that more could be done to strengthen the requirements in relation to expectations of communications from component auditors to the group engagement team (i.e., bottom-up).
- (b) Additional clarity could be provided about the timing of communication, including with respect to certain of the matters in paragraph 44 of ED-600.
- (c) With respect to paragraph 43 of ED-600 and related application material (paragraphs A106-A111 of ED-600), clear instructions from the group engagement team are important. Respondents, including two Monitoring Group members, noted that clarity of instructions is particularly important when component auditors are from a non-network audit firm and may not be familiar with the policies and procedures of the group engagement team, and when the group engagement team is making use of the knowledge and expertise of the component auditors to properly understand and assess the risks of material misstatement of the group financial statements. Respondents also noted that the group engagement team's instructions should be in writing and recommended reinstating Appendix 5 from extant ISA 600 as it was seen as helpful in providing clear instructions to component auditors.

- (d) With respect to paragraph 44 of ED-600:
- Clarity about the deliverables from the component auditor is important. In this regard, a Monitoring Group member expressed concern that confusion could potentially arise from the reference in paragraph 44(h) of ED-600 to the component auditor's 'overall findings, conclusions or opinion' and whether all three deliverables are required to be provided for one engagement. This Monitoring Group member also expressed concern that if a component auditor provides an 'opinion' or a memo on the work performed, it could lead to undue reliance being placed by the group engagement partner on the 'opinion' or memo without obtaining sufficient appropriate audit evidence regarding the financial information of the component or having performed an appropriate review of the component auditor's workpapers. Instead, this respondent believed the component auditor should provide a report of their findings or the results of applying procedures.
 - It is unclear whether certain types of conclusion statements used in practice currently could continue to be used (such as interoffice conclusion statements from component auditors within the firm or its network). Respondents also suggested that further clarity would be helpful about the nature and form of reports from component auditors, including whether other ISAs would apply (e.g., ISA 700 (Revised),¹⁵ ISA 800 (Revised)¹⁶ or ISA 805 (Revised)).¹⁷
 - Other matters should be added to paragraph 44. Respondents, including a Monitoring Group member, provided suggestions for additional matters, such as the communication of corrected misstatements in addition to uncorrected misstatements identified by component auditors.
- (e) Further clarity is needed about the extent to which it is necessary to review parts of the component auditor's audit documentation (paragraph 45(b) of ED-600) should be provided.

Task Force Discussion and Recommendations

Questions 8 and 8(a)

77. Given the comments raised in response to questions 8 and 8(a), the Task Force focused on possible ways forward to address the concerns identified. In these discussions, the Task Force took the following into account:
- On balance, there was significant support for the principles of the risk-based approach and the overall premise that the group engagement team takes responsibility for the risk assessment procedures and work performed to support the group audit opinion.
 - On the other hand, respondents challenged what appears to be a presumption in ED-600 that the group engagement team should directly perform, or take over much of, what component auditors are doing under extant ISA 600. In that regard, respondents highlighted the important role that component auditors play in a group audit. Respondents also indicated that for some group audits, a focus on significant components may continue to be appropriate.

¹⁵ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

¹⁶ ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

¹⁷ ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

78. In analyzing the comment letters, it was recognized that respondents provided the IAASB with valuable recommendations on how to address some of the issues. The Task Force discussed the key principles of the risk-based approach and how these could be enhanced:
- What needs to be done to identify, assess and respond to the risks of material misstatement of the group financial statements (see paragraphs 81–83 below)?
 - Who needs to do the work (i.e., the most appropriate allocation of effort between the group engagement team and component auditors) (see paragraphs 84–96 below)?
79. The Task Force recognizes that addressing these matters may require the Task Force to develop a framework on how to apply the risk-based approach.
80. In addition, the Task Force will consider:
- The wording used in the proposed standard to describe the involvement of the component auditor (e.g., use of the word assist) and the group engagement team’s consideration of the work of component auditors, as highlighted by respondents in their feedback (see paragraph 62 above).
 - The need for additional application material relating to risk assessment procedures when the involvement of component auditors relates to sub-groups of components that have common characteristics. This would make it easier to operationalize the requirements, particularly for large or more complex groups.
 - Circumstances when there are numerous individual components in a group that are not individually financially significant but may be financially significant to the group in aggregate, in particular the specific challenges that may need to be addressed in determining the audit scoping strategy. Although paragraph A89 of ED-600 discusses this issue, further guidance would be useful for the group engagement team to determine the sufficiency of the procedures performed centrally, or by the component auditors.

What Needs to Be Done to Identify, Assess and Respond to the Risks of Material Misstatement of the Group Financial Statements

81. The Task Force recognized that the extant ISA 600 concept of a significant component is viewed as a backstop for making sure that sufficient work (including risk assessment procedures) is performed in a group audit. The removal of this concept in ED-600, in combination with the enhanced responsibilities of the group engagement team and the perception of a preference for procedures to be performed centrally, caused concerns. On balance, the Task Force is of the view that there is not sufficient support for retaining the concept of significant components and therefore discussed other ways to address the comments and concerns.
82. The Task Force discussed developing a more robust way for addressing the special considerations in identifying, assessing and responding to risks of material misstatement based on existing requirements included in ISA 315 (Revised 2019) and ISA 330. This should provide auditors with more insights on how to apply the risk-based approach in a group audit, lead to more consistency and reduce the risk that the auditor incorrectly assesses (and responds to) risks of material misstatement.
83. The Task Force discussed enhancing the linkages to the following paragraphs in ISA 315 (Revised 2019) and ISA 330:
- Paragraph 29 of ISA 315 (Revised 2019) requires the auditor to determine the relevant assertions and the related significant classes of transactions, account balances and disclosures. The Task Force will discuss how this requirement is implemented in group

audits (i.e., whether significant classes of transactions, account balances and disclosures should also be determined at the component level based on the risk assessment procedures performed by component auditors, assuming their use of component performance materiality).

- Paragraph 35 of ISA 315 (Revised 2019) requires the auditor to evaluate whether the audit evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement. It also requires the auditor to:
 - Perform additional risk assessment procedures until audit evidence has been obtained to provide an appropriate basis; and
 - Take into account, in identifying and assessing the risks of material misstatement, all audit evidence obtained from the risk assessment procedures, whether corroborative or contradictory to assertions made by management.

The special consideration for group audits related to this requirement would emphasize the importance of standing back and evaluating whether the risk assessment procedures were sufficient, taking into account the group structure, including its financial reporting systems and other information available to the group engagement team about the components of the group.

- Paragraph 18 of ISA 330 requires the auditor to design and perform substantive procedures for each material class of transaction, account balance, and disclosure, irrespective of the assessed risks of material misstatement. The Task Force will discuss how to apply this requirement to the group financial statements' significant classes of transactions, account balances and disclosures (i.e., whether substantive procedures need to be designed and performed at the group or component level for each material class of transaction, account balance, and disclosure, irrespective of the assessed risks of material misstatement).

Who Needs to Do the Work?

84. The Task Force has always been of the view that the involvement of component auditors is critical for many group audit engagements and recognizes that this message was not clear for many respondents to ED-600. Based on the comments received, the Task Force discussed a way forward with respect to the involvement of component auditors. To address the comments received, the Task Force is considering clarifying several matters in ED-600, including:

- When to involve component auditors and recognize the important role of the component auditor in a group audit (see paragraphs 85–92);
- The process to determine whether to involve component auditors (see paragraphs 93–94); and
- Responding to the assessed risks, including the scope of work assigned to component auditors and factoring in the concepts of centralized activities and commonality of controls (see paragraph 95–96).

The Task Force believes that many of the requirements and application material paragraphs in ED-600 are still appropriate but may be organized differently to address the comments received.

When to involve component auditors and recognize the important role of the component auditor in a group audit

85. The Task Force noted that extant ISA 600 did not require the involvement of component auditors, or require the group engagement team to determine whether component auditors should be involved. However, the requirement to identify significant components, along with the requirement to perform an audit of the financial information of significant components, resulted in a practical necessity to involve component auditors, particularly for more complex, geographically dispersed group audit engagements.
86. Based on respondents' comments, the Task Force is of the view that proposed ISA 600 (Revised) should include clear requirements or application material that describes when to involve component auditors in the risk assessment. Also, if involved, their work should be evaluated and taken into account in the risk assessment for the group financial statements. Similar to extant ISA 600, the Task Force is of the view that there should not be a requirement to involve component auditors.
87. The Task Force is of the view that this can be achieved through stronger linkages with ISA 220 (Revised) and ISA 315 (Revised 2019) and by more clearly presenting the requirements and application material.

ISA 220 (Revised)

88. ISA 220 (Revised) includes requirements related to the engagement resources. For example, ISA 220 (Revised) requires the group engagement partner to:
 - Determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the audit engagement, the firm's policies or procedures, and any changes that may arise during the engagement (paragraph 25 of ISA 220 (Revised)); and
 - Determine that members of the engagement team collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement (paragraph 26 of ISA 220 (Revised)).
89. Paragraph 21 of ED-600 includes special considerations related to paragraph 26 of ISA 220 (Revised). The related application material explains how to determine whether the component auditors have the appropriate competence and capabilities (see paragraph A42 of ED-600).
90. The Task Force noted that ED-600 did not include a special consideration regarding the group engagement partner's responsibility to determine that the engagement team (i.e., the group engagement team and component auditors) has sufficient and appropriate resources to perform the group audit engagement. Given the linkage with paragraph 25 of ISA 220 (Revised) may not be clear, the Task Force is of the view that additional guidance is needed to highlight that for a group audit this means that the group engagement partner needs to think about where the resources are needed and what resources are needed. The Task Force may include guidance highlighting that component auditors may be involved as they have greater experience and a more in-depth knowledge of the components and their environments (including language, culture, business practices, and local laws and regulations) than the group engagement team and therefore may be instrumental for having the appropriate competence and capabilities.

ISA 315 (Revised 2019)

91. Paragraph A71 of ED-600 describes factors that influence the group engagement team's decision about the nature and extent of risk assessment procedures assigned to component auditors. These include, for example:
- The number and geographical location of components;
 - The nature of the components' business activities, including their complexity or specialization of operations; and
 - The group's system of internal control, including the information system in place at the component.
92. The view of the Task Force is that this paragraph could be enhanced by including:
- More details about the effect of these matters on the involvement of component auditors; and
 - The concept of financial significance of a component.

The process to determine whether to involve component auditors

93. Based on the comments received, the Task Force recognized that identifying components at the acceptance and continuance stage may not be a practical expectation in all cases as the determination of the involvement of component auditors is an iterative process. In the acceptance and continuance stage, the group engagement team makes a preliminary determination whether, and if so, where, component auditors will be involved in the group audit. In a recurring engagement the group engagement team bases this preliminary assessment on the previous year's audit and its interactions with group management. In a first-year audit, the group engagement team obtains an understanding of component auditors based on conversations with group management and, where possible, any auditors of the financial statements of entities and business units of the group, such as statutory auditors.
94. In the risk assessment phase, the group engagement team obtains a better understanding about the group and its environment and, based on that understanding, the auditor refines its determination about whether, where, and to what extent to involve component auditors. The Task Force will discuss how to best integrate this thinking into proposed ISA 600 (Revised).

Responding to the assessed risks, including the scope of work assigned to component auditors and factoring in the concepts of centralized activities and commonality of controls

95. The Task Force discussed ways to clarify the section on responding to the assessed risks, including the scope of work assigned to component auditors and factoring in the concepts of centralized activities and commonality of controls. The Task Force is of the view that ED-600 includes a lot of useful application material but that reorganizing it more clearly and adding new application material, would help to address some of the comments raised. The key principles discussed include following:
- The starting point would be the assessed risks of material misstatement. Based on this, the group engagement team needs to take responsibility for the design of the response in relation to risks of material misstatement, and significant classes of transactions and account balances, at the group and component levels.
 - The second step would be determining whether work will be performed centrally, locally (i.e., at the component level) or a combination of both (based on guidance in A85–A90 in

ED-600).

- When procedures are performed centrally, the standard could have guidance related to centralized activities and the commonality of controls.
- When work is performed locally, there also would be a determination of whether component auditors need to be involved (based on guidance in A96–A101 in ED-600).

96. The Task Force will also:

- Consider whether the names of the scoping options (i.e., audit procedures on the entire financial information of the component; audit procedures on or more classes of transactions, account balances or disclosures, and specific audit procedures as identified by the group engagement team) can be clarified, in particular the option named ‘audit procedures on the entire financial information of the component’;
- Clarify when each of the scoping options is appropriate; and
- Highlight that the group engagement team’s involvement is critical in either option.

Matters for IAASB Consideration

3. What are IAASB’s views on the Task Force’s initial thoughts and recommendations as set out above. Specifically, does the Board agree with:
- (a) The Task Force’s proposals for not retaining the concept of significant components in proposed ISA 600 (Revised) and the alternatives presented (see paragraphs 81–83).
 - (b) The Task Force’s proposals with respect to the involvement of component auditors (see paragraphs 84–96).

Question 8(b)

97. The Task Force noted that some of the comments or concerns on the clarity and appropriateness of the interactions between the group engagement team and component auditors are related to comments from respondents on the risk-based approach. The Task Force’s view is that its discussions about a ‘framework’ for determining the nature, timing and extent of involvement of component auditors, and about the involvement of the group engagement team in the work of component auditors, will also help to address the comments related to Question 8(b). On the other hand, the Task Force also noted comments from respondents expressing support for the revised communication requirements and guidance, and indicating that the strengthened focus on ongoing, two-way communication is an improvement over extant ISA 600.
98. The Task Force discussed that the nature, timing and extent of communication between the group engagement team and component auditors depends on what the component auditors have been asked to do (i.e., the group engagement team’s instructions) and also is influenced by the nature, timing and extent of involvement by the group engagement team in the component auditor’s work. The Task Force will further discuss the need to emphasize this earlier in proposed ISA 600 (Revised), possibly in the Introduction section, and to consider strengthening the linkage to ISA 220 (Revised).
99. The Task Force will further consider ways to address respondent perceptions that ED-600 may be overemphasizing the ‘top-down’ nature of communications from the group engagement team, including appropriate clarity about the expectations of communication from the component auditors to the group engagement team. Additional application material may help in this regard.
100. The Task Force discussed the various matters that respondents suggested could be added to

paragraph 44 of ED-600. In particular, the Task Force noted that the suggestion for component auditors to communicate corrected misstatements in component financial information was made by one or more Board members in the discussion leading up to ED-600. The IAASB concluded at that time that the communication of deficiencies in the system of internal control, as required by paragraph 44(e) of ED-600, would provide information to the group engagement team about corrected misstatements related to pervasive or systemic internal control issues at the component level. In further discussing this point, the Task Force will explore whether group auditors currently are requesting component auditors to communicate corrected misstatements, and will consider the relevant requirements and guidance in ISA 450.¹⁸

101. The Task Force also will discuss ways to provide additional clarity about the timing of communication, including certain communication in paragraph 44 of ED-600.
102. With respect to the deliverables from component auditors, the Task Force discussed that the content of such deliverables should be based on what has been agreed with the group engagement team (i.e., the instructions from the group engagement team), in view of the requirements of paragraph 44 of ED-600. The Task Force will further discuss respondent comments and concerns about the form of conclusion from the component auditor. However, the preliminary Task Force view is that proposed ISA 600 (Revised) should provide flexibility about the form of conclusion based on the nature of the audit work the component auditor has been requested to perform. In this regard, the Task Force noted that the requirement in paragraph 44(h) of ED-600 to communicate overall findings, conclusions or an opinion provides this flexibility, recognizing that this is only part of the evidence supporting the work done by the component auditors.

Matters for IAASB Consideration

4. Does the IAASB have any further suggestions regarding the nature, timing and extent of communication between the group engagement team and component auditors, including to address respondent perceptions that ED-600 may be overemphasizing the ‘top-down’ nature of communication from the group engagement team?
5. Does the IAASB support requiring component auditors to communicate identified misstatements in component financial information that have been corrected, in addition to uncorrected misstatements?

Section IV – Linkage with ISA 220 (Revised) – Definition of Engagement Team

103. Paragraph 21 of the EM described how the IAASB took into account the changes made to the definition of the engagement team as a result of the revisions to ISA 220.¹⁹ It was noted that the revised definition includes individuals who perform audit procedures on the engagement, which would include component auditors in the case of a group audit, and that the ISA 220 and ISA 600 Task Forces and International Ethics Standards Board for Accountants’ (IESBA) Staff and representatives have liaised on the revised definition. When ED-600 refers to the engagement team, it includes the group engagement team and all component auditors. Paragraphs 9(c) and 9(j) of ED-600 define component auditor and the group engagement team, respectively.

¹⁸ ISA 450, *Evaluation of Misstatements Identified during the Audit*

¹⁹ ISA 220, *Quality Control for an Audit of Financial Statements*

104. The ED did not include a specific question on the definition of engagement team but question 1 asked respondents for their views on the linkages between ED-600 and other standards:

With respect to the linkages to other standards:

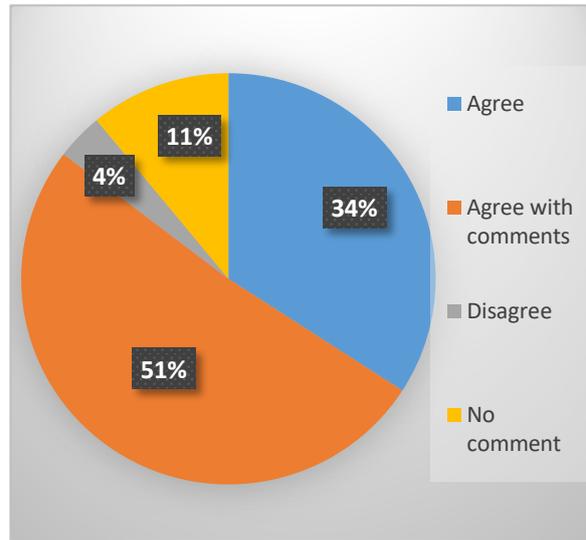
- (a) *Does ED-600 have appropriate linkages to other ISAs and with the proposed ISQMs?*
- (b) *Does ED-600 sufficiently address the special considerations in a group audit with respect to applying the requirements and application material in other relevant ISAs, including proposed ISA 220 (Revised)? Are there other special considerations for a group audit that you believe have not been addressed in ED-600?*

What We Heard

General

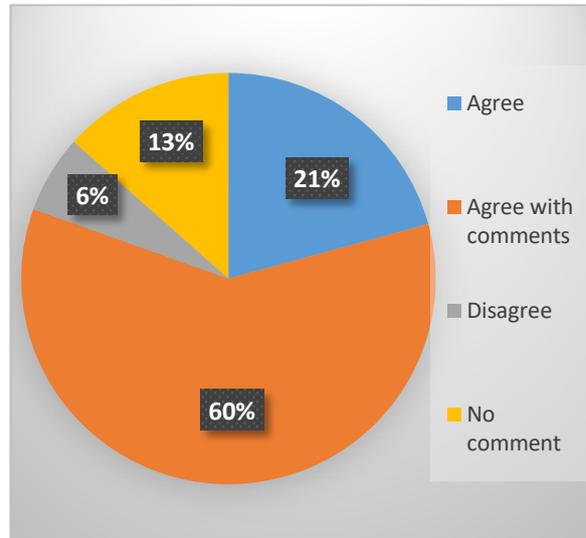
105. Responses to Question 1(a) were as follows (see the separate NVivo reports for further details):

- 28 respondents agreed with the proposals, including a Monitoring Group member – 34%;
- 42 respondents agreed with comments or concerns, including three Monitoring Group members – 51%;
- 3 respondents did not agree with the proposals – 4%; and
- 9 respondents did not have a specific response – 11%



106. Responses to Question 1(b) were as follows (see the separate NVivo reports for further details):

- 17 respondents agreed with the proposals – 21%;
- 49 respondents agreed but with comments or concerns, including three Monitoring Group members – 60%;
- 5 respondents did not agree with the proposals – 6%; and
- 11 respondents did not have a specific response, including a Monitoring Group member – 13%.



107. Given that respondents answered question 1(a) and 1(b) together and given that respondents' interpretation of the questions differed, the themes for both question 1(a) and 1(b) were summarized together.

108. Respondents that agreed with the proposals generally did not offer detailed reasons for their support, other than noting that:
- The linkages of ED-600 to other standards are appropriate; and
 - ED-600 sufficiently addresses the special considerations in a group audit with respect to applying the requirements and application material in other relevant ISAs.
109. Respondents, including the four Monitoring Group members, that agreed with comments or disagreed had various suggestions on how to enhance the linkages to other standards and which special considerations should be included in proposed ISA 600 (Revised). The following key themes were identified:
- (a) Engagement team definition – Concerns were raised about the practicality of the definition of engagement team for group audits.
 - (b) Operability of ISA 220 (Revised) for large or complex group audit engagements – Concerns were raised about the operability of ISA 220 (Revised) when applied to large or complex group audit engagements and the potential behavioral implications for the work of component auditors.
 - (c) ISA 220 (Revised) – In addition to the matters noted above, respondents noted several other matters that should be clarified in relation to ISA 220 (Revised).
 - (d) ISQM 1²⁰ – Respondents noted several areas where the linkages between ED-600 and ISQM 1 could be enhanced.
 - (e) ISA 315 (Revised 2019) and ISA 330 – Respondents noted several areas where the linkages between ED-600 and ISA 315 (Revised 2019) and ISA 330 could be enhanced.
 - (f) Other ISAs – Respondents identified several other ISAs where the linkages could be enhanced or established. The standards most frequently referred to include ISA 240,²¹ ISA 250 (Revised),²² ISA 550,²³ ISA 570 (Revised)²⁴ and ISA 620.²⁵
110. For the purposes of the December 2020 Board meeting, only the comments and suggestions related to the definition of engagement team are included. The rest of question 1 will be presented to the Board in March 2021.

Engagement Team Definition

111. Respondents²⁶ noted that the new definition of engagement team could lead to practical challenges, for example related to:
- Compliance with independence and ethical requirements. It was suggested to liaise with IESBA given IESBA's project to assess the impact of the new definition of engagement team to the *International Code of Ethics for Professional Accountants (including*

²⁰ International Standard on Quality Management (ISQM) 1 (Previously ISQC 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

²¹ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

²² ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

²³ ISA 550, *Related Parties*

²⁴ ISA 570 (Revised), *Going Concern*

²⁵ ISA 620, *Using the Work of an Auditor's Expert*

²⁶ Monitoring Group members did not have any comments on the definition of engagement team.

International Independence Standards).

- Direction, supervision and review of component auditors; and
- The competence and capabilities of component auditors.

It was noted that these practical challenges are particularly challenging when component auditors are from a non-network firm or from a different country.

112. Respondents also noted that:

- The new definition of engagement team could have legal and regulatory ramifications. For example, if legal proceedings were brought against the group auditor, it is not clear whether the component auditors, or the particular individual(s) from the component auditor's firm, would now be brought into that litigation because they are a member of the engagement team.
- The new definition of engagement team may lead to increased selection of component auditors from the group engagement team's network firm as this reduces the practical impediments related to different quality management processes and different methodologies. This may lead to reduced competition for multinational engagements and could lead to lower audit quality on some engagements.

113. With respect to the wording used in ED-600, respondents noted that the difference between "engagement team," "group engagement team" and "component auditors" could be more clearly explained.

114. Respondents also suggested to include guidance that:

- Highlights the importance to audit quality of having a shared team identity, characteristics and factors that may enhance or impede the engagement team's development, and how these characteristics and factors can be reinforced and managed.
- Further explains the degree of supervision, direction and review that is needed for component auditors.

Task Force Discussion and Recommendations

115. In a possible way forward on the definition of the engagement team, the Task Force recognized that:

- The matters identified in relation to the new definition of engagement team (see paragraph 111 above) impact all component auditors but particularly impact component auditors from non-network firms.
- Except for revising the definition of engagement team in ISA 220 (Revised), respondents provided little suggestions on how to address the matters identified.

116. In developing a way forward, the Task Force recognized that the Board approved ISA 220 (Revised), including the revised definition of engagement team, in the September 2020 Board meeting. Given this, the Task Force is of the view that, notwithstanding the concerns expressed, the strength of comments received do not warrant making changes to ISA 220 (Revised). Possible solutions to the matters identified should therefore be addressed in proposed ISA 600 (Revised) or through non-authoritative guidance.

117. To address some of the concerns, the Task Force is considering:

- Liaising with IESBA on addressing the practical challenges related to compliance with independence and ethical requirements;
- Adding application material in proposed ISA 600 (Revised) to better explain how the direction, supervision and review of component auditors, and the consideration of their competence and capabilities, could be addressed for component auditors generally (i.e., for component auditors from both network firms and non-network firms). The Task Force will have further discussions on how this can be addressed; and
- Developing additional implementation material addressing the practical challenges related to direction, supervision and review of component auditors from non-network firms and the consideration of their competence and capabilities.

118. With respect to the difference between the terms ‘engagement team,’ ‘group engagement team’ and ‘component auditor,’ the Task Force is of the view that the confusion could be caused by the similarity of the terms ‘group engagement team’ and ‘engagement team.’ Many respondents appear to interpret the term ‘group engagement team’ as simply meaning the engagement team as applied in the context of a group audit, as opposed to how the standard defines this term, being a specific subset of the broader engagement team. To address this confusion, the Task Force is considering:

- Changing the term ‘group engagement team’ to the term ‘group auditor.’ This would make the difference between the terms clearer by eliminating the word ‘team’, would also align the wording of the standard more closely with the term commonly used in practice by auditors, and more naturally complement the term ‘component auditor.’ Thus, the engagement team would be defined as comprising the group auditor and component auditors, as illustrated below. Except for changing all references to ‘group engagement team’ to ‘group auditor,’ this would otherwise not impact the requirements and application material in the standard.
- Developing implementation material that explains the difference between the terms. This implementation material could be included in the implementation package that the IAASB develops for new standards. A diagram similar to the one included below could be used.



Matter for IAASB Consideration

6. What are the IAASB's views on the Task Force's initial recommendations with respect to the definition of engagement team?

Way Forward

119. Based on the input received from the Board, the Task Force will continue to develop its thinking on the key themes discussed in this paper. The Task Force will also discuss respondents' comments to the other questions in the EM and will present to the Board a full analysis of comments received and NVivo reports for all questions in March 2021.
120. In its upcoming meetings, the Task Force plans to discuss drafting for certain sections of Proposed ISA 600 (Revised) and will bring that drafting also to the March 2021 Board meeting, with the goal of presenting a complete draft of proposed ISA 600 (Revised) to the Board in June 2021.

Task Force Members and Activities, Including Outreach

Task Force Members

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

Task Force Activities Since the End of the Exposure Period

3. Since the end of the exposure period on October 2, 2020, the Task Force held four videoconferences.

Outreach Activities

4. Since the publication of the exposure draft, the Task Force Chair attended the following outreach events or meetings in which proposed ISA 600 (Revised) was prominently discussed:
 - International Organization of Securities Commissions Committee 1 Auditing Subcommittee;
 - Webinar of the Hong Kong Institute of Certified Public Accountants;
 - Webinar organized by the New Zealand Auditing and Assurance Standards Board, Australian Auditing and Assurance Standards Board and CPA Australia;
 - Webinar organized by the South African Institute of Chartered Accountants;
 - Chartered Accountants of Australia and New Zealand;
 - CPA Australia External Reporting Center of Excellence; and
 - PKF International
5. The Task Force held two webinars. In the first webinar, the Task Force explained the background of the project and the key proposed revisions to ISA 600. In the second webinar, the Task Force answered questions received from stakeholders on ED-600.

Appendix 2

List of Respondents to the Exposure Draft of Proposed ISA 600 (Revised)

#	Abbrev.	Respondent (82)	Region
Monitoring Group (4)			
1.	BCBS	Basel Committee on Banking Supervision	GLOBAL
2.	IAIS	International Association of Insurance Supervisors	GLOBAL
3.	IFIAR	International Forum of Independent Audit Regulators	GLOBAL
4.	IOSCO	International Organization of Securities Commissions	GLOBAL
Investors and Analysts (1)			
5.	CRUF	Corporate Reporting Users' Forum	GLOBAL
Regulators and Oversight Authorities (8)			
6.	CEAOB	Committee of European Audit Oversight Bodies	EU
7.	CPAB	Canadian Public Accountability Board	NA
8.	CSA	Canadian Securities Administrators	NA
9.	IAASA	Irish Auditing and Accounting Supervisory Authority	EU
10.	IRBA	Independent Regulatory Board for Auditors	MEA
11.	MAOB	Malaysia Audit Oversight Board	AP
12.	NASBA	National Association of State Boards of Accountancy	NA
13.	UKFRC	Financial Reporting Council	EU
National Auditing Standard Setters (12)			
14.	AICPA	American Institute of Certified Public Accountants	NA
15.	AUASB	Australian Auditing and Assurance Standards Board	AP
16.	CAASB	Canadian Auditing and Assurance Standards Board	NA
17.	CNCC-CSOEC	Compagnie Nationale des Commissaires aux Comptes and the Conseil Supérieur de l'Ordre des Experts-Comptables	EU
18.	HKICPA	Hong Kong Institute of Certified Public Accountants	AP
19.	ICAI	Institute of Chartered Accountants of India	AP
20.	IDW	Institut der Wirtschaftsprüfer	EU
21.	JICPA	Japanese Institute of Certified Public Accountants	AP
22.	KSW	Austrian Chamber of Tax Advisors and Public Accountants	EU
23.	MIA	Malaysian Institute of Accountants	AP
24.	NBA	Royal Netherlands Institute of Chartered Accountants	EU
25.	NZAuASB	New Zealand Auditing and Assurance Standards Board	AP
Accounting Firms (17)			
26.	BDO	BDO International	GLOBAL
27.	BT	Baker Tilly International	GLOBAL

28.	CG	Crowe Global	GLOBAL
29.	CR	CohnReznick	NA
30.	DTT	Deloitte Touche Tohmatsu	GLOBAL
31.	ETY	ETY	MEA
32.	EYG	Ernst & Young Global	GLOBAL
33.	GT	Grant Thornton International	GLOBAL
34.	KPMG	KPMG IFRG	GLOBAL
35.	MAZ	Mazars	GLOBAL
36.	MAZUSA	Mazars USA	NA
37.	MGN	Moore Global Network	GLOBAL
38.	MNP	MNP	NA
39.	NEXIA	Nexia International	GLOBAL
40.	PKF	PKF International	GLOBAL
41.	PwC	PricewaterhouseCoopers	GLOBAL
42.	RSM	RSM International	GLOBAL
Public Sector Organizations (7)			
43.	AGA	Office of the Auditor General of Alberta	NA
44.	AGC	Office of the Auditor General of Canada	NA
45.	AGO	Office of the Auditor General of Ontario	NA
46.	AGM	Auditor General of the Ville de Montréal	NA
47.	AGSA	Auditor General South Africa	MEA
48.	GAO	U.S. Government Accountability Office	NA
49.	PAS	Provincial Auditor of Saskatchewan	NA
Member Bodies and Other Professional Organizations (27)			
50.	AE	Accountancy Europe	EU
51.	BICA	Botswana Institute of Chartered Accountants	MEA
52.	CAANZ-ACCA	Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants	GLOBAL
53.	CalCPA	California Society of CPAs	NA
54.	CAQ	Center for Audit Quality	NA
55.	CPAA	CPA Australia	AP
56.	CPAI	CPA Ireland	EU
57.	ECA	Professional Accounting Organizations of the Europe and Central Asia Region	EU
58.	EFAA	European Federation of Accountants and Auditors for SMEs	EU
59.	FAR	Institute for the Accountancy Profession in Sweden	EU
60.	IBRACON	Institute of Independent Auditors of Brazil	SA

61.	ICAEW	Institute of Chartered Accountants in England and Wales	EU
62.	ICAS	Institute of Chartered Accountants of Scotland	EU
63.	ICPAS	Illinois CPA Society	NA
64.	IIA	Institute of Internal Auditors	GLOBAL
65.	IMCP	Mexican Institute of Public Accountants	NA
66.	INCP	National Institute of Public Accountants of Colombia	SA
67.	IPA	Institute of Public Accountants	AP
68.	ISCA	Institute of Singapore Chartered Accountants	AP
69.	KICPA	Korean Institute of Certified Public Accountants	AP
70.	MICPA	Malaysian Institute of Certified Public Accountants	AP
71.	NRF	Nordic Federation of Public Accountants	EU
72.	NYSSCPA	New York State Society of Certified Public Accountants	NA
73.	SAICA	South African Institute of Chartered Accountants	MEA
74.	SMPAG	International Federation of Accountants' Small and Medium Practices Advisory Group	GLOBAL
75.	SRO AAS	Self-Regulatory Organization of Auditors Association "Sodruzhestvo"	EU
76.	WPK	Wirtschaftsprüferkammer	EU
Academics (4)			
77.	AFAANZ	Auditing and Assurance Standards Committee of the Accounting and Finance Association of Australia and New Zealand	AP
78.	GRAHAM	Lynford Graham	NA
79.	HUNTER	Hunter College Graduate Program	NA
80.	LI	Limperg Institute	EU
Individuals and Others (2)			
81.	PITT	Pitt Consulting	EU
82.	VERA	Vera Massarygina	EU

Appendix 3

Approach to Analyzing Comments

1. NVivo was used to assist with the analysis of comments. The NVivo summaries reflect:
 - The number of respondents who “agreed”, “agreed with comments or concerns”, or “disagreed” with the question. It is noted that respondents classified as “agreed with comments or concerns” were those who appeared to agree but had additional concerns or suggestions. Respondents who “agreed” and provided further explanations of why they agreed were classified as “agreed”.
 - The general themes identified from further analyzing the comments for those respondents who “agreed with comments or concerns” or “disagreed”. In many cases, the additional comments or concerns by respondents who agreed were similar to the reasons provided by respondents who disagreed with the question, i.e., they had similar issues and concerns whether they agreed or disagreed. The general themes have therefore been numbered consistently across the three categories to reflect these similarities or have been captured under the “agreed with comments or concern” category. The general themes are intended to provide an overview of key themes, and do not reflect the nuances of the individual comments. Furthermore, the general themes do not reflect one-off comments or suggestions, which have nevertheless been considered by the Task Force.
2. The following points are also important for noting as part of the NVivo analysis:
 - In certain cases, respondents’ comments on a particular question were considered more relevant to another question or another aspect of ED-600. Therefore, these comments were re-assigned to the more relevant question or aspect, so that they can be considered in the context of all other relevant comments. Furthermore, some respondents provided general comments, which were also assigned to the most relevant questions or aspects. In some cases, a comment may have been assigned to multiple areas given the relevance to multiple issues.
 - The general themes identified from further analyzing the comments only include respondents who had additional commentary. Furthermore, a respondent may have had multiple additional comments, which have been assigned to each relevant theme. As a result, the total number of respondents across all of the themes does not correlate to the total number of respondents who answered the question.