

# AUDITS OF GROUP FINANCIAL STATEMENTS

Introduction to International Standard on Auditing 600 (Revised), Audits of Group Financial Statements (Including the Work of Component Auditors)

**FACT SHEET**

**IAASB**

International Auditing  
and Assurance  
Standards Board

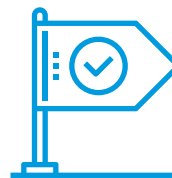
# BACKGROUND

## WHAT?



**ISA 600 (Revised), Audits of Group Financial Statements (Including the Work of Component Auditors)**, deals with the special considerations that apply to a group audit, including in those circumstances when component auditors are involved.

## WHEN?



ISA 600 (Revised) is effective for audits of group financial statements for periods beginning on or after December 15, 2023.



## HOW?

ISA 600 (Revised) includes new and revised requirements and application material that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019). The new and revised requirements also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.



## WHAT OUTCOME IS THE REVISED STANDARD SEEKING TO ACHIEVE?



### The changes made to ISA 600 (Revised) are intended to:

- Encourage proactive management of quality at the group engagement level and the component level.
- Reinforce the need for robust communication and interactions during the group audit.
- Keep the standard fit for purpose in a wide range of circumstances and in a developing environment.
- Foster an appropriately independent and challenging skeptical mindset of the auditor.

# WHAT ARE THE SIGNIFICANT CHANGES?

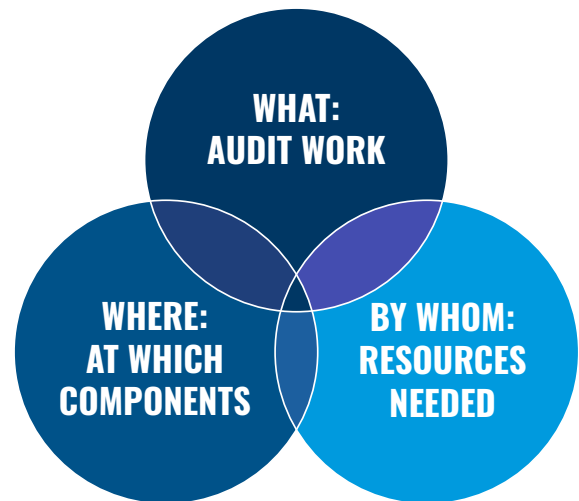
## ENCOURAGING PROACTIVE MANAGEMENT OF QUALITY

### RISK-BASED APPROACH

The risk-based approach is a framework for planning and performing a group audit engagement.

Why did the IAASB introduce the risk-based approach?

- Greater alignment with the requirements in ISA 315 (Revised 2019) and ISA 330.
- A greater focus on identifying and assessing the risks of material misstatement and performing further audit procedures in response to the assessed risks.
- A greater focus on planning an appropriate approach to obtaining sufficient appropriate audit evidence (what, where and by whom).



Under the risk-based approach **component auditors** can be, and often are, involved in all phases of the group audit.

### Managing and Achieving Quality in a Group Audit



ISA 600 (Revised) clarifies how the requirements in ISA 220 (Revised) apply to manage and achieve audit quality in a group audit, including sufficient and appropriate resources to perform the engagement, and the direction and supervision of the engagement team and the review of its work.

### Restrictions on Access to Information and People



ISA 600 (Revised) clarifies the various types of restrictions that may exist, such as restrictions on access to people and information (e.g., access to component management, those charged with governance of the component, component auditors, or information at the component) and component auditor audit documentation. The revised standard also provides guidance on ways to overcome such restrictions.

### Materiality Considerations



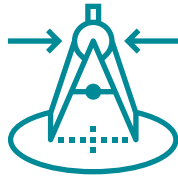
ISA 600 (Revised) clarifies how the concepts of materiality and aggregation risk apply in a group audit.



## WHAT ARE THE SIGNIFICANT CHANGES? (cont.)

### KEEPING THE GROUP AUDIT STANDARD FIT FOR PURPOSE

#### Scope of the Standard



The scope of ISA 600 (Revised) is clarified through the introductory paragraphs and definitions and related application material, including whether, and how, ISA 600 (Revised) applies to:

Entities with branches and divisions

Shared service centers

Non-controlled entities

#### Linkages with Other Standards



Key foundational standards: ISA 220, 230, 300, 315 (Revised 2019), 330

ISA 600 (Revised)

ISA 600 (Revised) clarifies and reinforces that all ISAs need to be applied in a group audit engagement.

#### Documentation



ISA 600 (Revised) includes enhanced documentation requirements and application material to emphasize the linkage to the requirements in ISA 230 and the documentation requirements in other relevant ISAs. The revised standard also clarifies what the group auditor may need to document in different situations, including when there are restrictions on access to component auditor audit documentation.



ISA 600 (Revised) also highlights the importance of the group auditor's review of component auditor audit documentation. The review of component auditor audit documentation is directly related to, and influenced by, the group auditor's direction and supervision of the component auditors and the review of their work throughout the group audit.

### REINFORCING THE NEED FOR ROBUST COMMUNICATION AND INTERACTIONS

#### ISA 600 (Revised) strengthens and clarifies:

- The importance of two-way communications between the group auditor and component auditors.
- Various aspects of the group auditor's interaction with component auditors, including communicating relevant ethical requirements, determining competence and capabilities of the component auditor, and determining the appropriate nature, timing and extent of involvement by the group auditor in the work of the component auditor.



## WHAT ARE THE SIGNIFICANT CHANGES? (cont.)

### EMPHASIZING THE IMPORTANCE OF PROFESSIONAL SKEPTICISM



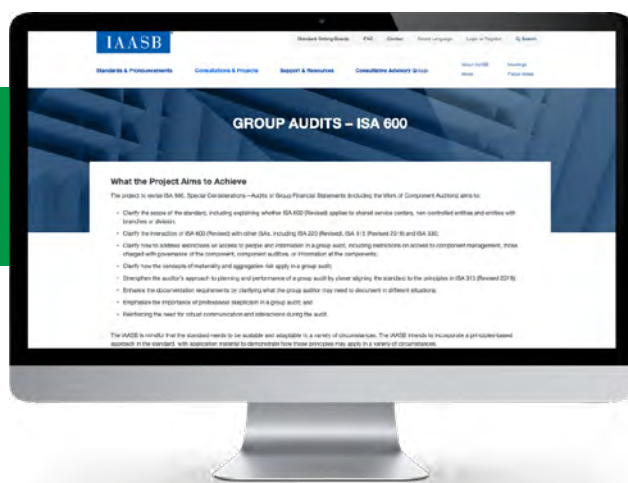
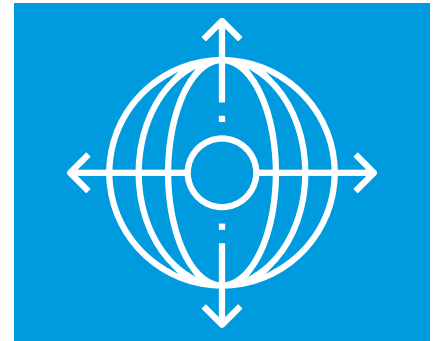
ISA 600 (Revised) emphasizes the importance of exercising professional skepticism, including as part of the group auditor's:

- Direction, supervision and review of the work of engagement team members, including component auditors; and
- Evaluation of whether sufficient appropriate audit evidence has been obtained (including by component auditors) to provide a basis for forming an opinion on the group financial statements.

### HOW IS SCALABILITY ADDRESSED?

ISA 600 (Revised) introduces a **principles-based approach** that is adaptable to a wide variety of circumstances, and scalable for audits of groups of different complexity, for example by:

- Focusing on identifying, assessing and responding to the risks of material misstatement of the group financial statements; and
- Including separate sections throughout ISA 600 (Revised) to highlight the requirements and application material for circumstances when component auditors are involved.



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