

2023

Feedback Paper
ISA (Ireland) 600
(Revised February 2023)

Special Considerations - Audits of
Group Financial Statements (Including
the Work of Component Auditors)

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Vision

Public trust and confidence in quality auditing and accounting

Mission

Upholding quality corporate reporting and an accountable profession

Values

Excellence

Striving to be the best we can be

Independence

Regulating impartially and objectively

Integrity

Being trustworthy and respectful

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1. Summary

Following consultation, IAASA is issuing a revised version of International Standard on Auditing (ISA) (Ireland) 600: Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors). The revised standard will apply to audits of group financial statements for periods beginning on or after 15 December 2023.

Additionally, IAASA will be making conforming amendments to other standards to reflect the revisions to ISA (Ireland) 600.

The amendments align with the changes made by the International Auditing and Assurance Standards Board (IAASB) and the Financial Reporting Council (FRC).

This paper summarises the feedback received during the public consultation on the proposed revisions to ISA (Ireland) 600 and IAASA's responses to those comments.

2. Responses received

IAASA received seven responses to the consultation, three from professional accountancy bodies and four from audit firms. You can find their full responses on the IAASA website at the following [link](#). The responses were from:

1. Association of Chartered Certified Accountants (ACCA)
2. Chartered Accountants Ireland (CAI)
3. CPA Ireland (CPA)
4. Deloitte
5. EY
6. KPMG
7. PwC

3. Matters on which IAASA consulted, summary of comments received and IAASA response

Below is a summary of the comments received on the specific questions asked in the consultation, along with IAASA's responses to those comments.

No.	Matter on which IAASA consulted
1.	<p>Do you agree that it is in the public interest that IAASA revises ISA (Ireland) 600?</p> <p>If not, please give your reasons and describe any alternatives that you wish IAASA to consider.</p>
Summary of comments received	All respondents agreed with IAASA's proposal to revise ISA (Ireland) 600.

2. In the context of IAASA's policy to make minimal amendments to the UK standards, are there any provisions in the proposed ISA (Ireland) 600 that conflict with Irish or EU law?

If so, please:

- Identify the relevant legal provisions
- Give reasons for your view
- Describe how you believe these matters should be addressed in ISA (Ireland) 600

Summary of comments received and IAASA response	While the majority of respondents stated that they had not identified any potential conflicts with Irish or EU law, they noted several areas where they believed additional clarification or guidance may be required. They are as follows:
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Leadership responsibilities for managing and achieving quality on a group audit

Four respondents commented on paragraph 16-1 of the exposure draft, which set out the responsibilities of the group engagement partner and their firm in the context of the requirements of the quality management standards:

"In Ireland, the group engagement partner shall bear overall responsibility for compliance with the requirements of this, and all ISAs (Ireland) relevant to the audit ... The group engagement partner's firm shall bear overall responsibility for the design, implementation, and operation of a system of quality management that supports the group engagement partner in fulfilling their responsibilities."

They requested guidance on how to apply the requirement for the group engagement partner's firm to bear overall responsibility for the system of quality management to component auditors that are not part of the group auditor's network. Three respondents also believed that paragraph 16-1 could be interpreted as requiring the group engagement partner to review work by all component auditors. They expressed concern that this would lead to the group partners spreading their reviews over too many entities rather than focusing on where the risks lie.

The language in this paragraph has been amended to use the term 'take overall responsibility'. This is consistent with the language used elsewhere in the standard, in particular paragraph 11 which clarifies that this term is used for those requirements when the group engagement partner or group auditor may assign the work to other appropriately skilled or suitably experienced members of the engagement team. It is IAASA's view that this amendment should assist auditors in applying paragraph 16-1.

International Standard on Quality Management (ISQM) (Ireland) 1 specifies that each individual firm is responsible for its own system of quality management, even when it is part of a network with a common audit approach. For the purposes of ISQM (Ireland) 1, a service provider includes

component auditors from outside the group auditor's network. ISQM (Ireland) 1 requires firms to establish quality objectives related to the use of resources including, at paragraph 32(h), that resources from service providers are appropriate for use in the performance of engagements. Firms should refer to the relevant application material in ISQM (Ireland) 1 for further guidance on this topic.

The level of work required by paragraph 16-1 is a matter of professional judgement. Paragraph 28 and the related application material to ISA (Ireland) 600 (Revised February 2023) clarifies that the group engagement partner is required to take areas of higher risk into account as well as those that involve significant judgement when reviewing the work of component auditors.

Auditors may also find it helpful to refer to the IAASB's factsheet, "Quality Management and Group Audits: Highlighting Certain Aspects of Interaction Between ISA 220 (Revised) and ISA 600".

Reporting to IAASA or relevant recognised accountancy body (RAB)

One respondent raised a query regarding paragraph 51D-1(b), which states that the group auditor must inform the competent authority if they are unable to request or obtain the component auditor's agreement to the transfer of relevant documentation. They were of the view that a report to the competent authority should not be required in all cases.

Paragraph 51D-1, which is also in the extant ISA (Ireland) 600, reflects the requirement of the EU Audit Directive that, in any case where the group auditor is unable to request or obtain agreement from the component auditor to the transfer of relevant documentation, they must inform the relevant competent authority. This is IAASA or the RAB authorised by IAASA to perform regulatory tasks, as applicable.

Relationship between engagement team, group auditor and component auditor

Four respondents noted that the revised ISA (UK) 600 included a diagram which is intended to clarify the relationship between the terms 'engagement team', 'group auditor' and 'component auditor'. They were of the view that this diagram should also be included in ISA (Ireland) 600.

The diagram has been included in the final version of ISA (Ireland) 600 (Revised February 2023).

Definition of group auditor

One respondent noted that the definition of group auditor states that they are responsible for "... determining, through review of audit documentation and discussion with the engagement team, that sufficient appropriate audit evidence has been obtained". In their view, this definition would benefit from

additional application and explanatory material, to clarify the extent of discussion required with the engagement team, and whether the group auditor is required to have discussions with all component auditors. They expressed the view that the standard should clarify that the group auditor is required to have discussions with a component auditor based on the risks present in that component.

ISA (Ireland) 600 (Revised February 2023) is not intended to be a standalone standard. It must be applied in conjunction with all other ISAs relevant to the group audit engagement. The footnote to the definition of engagement team contains a cross reference to ISA (Ireland) 220 (Revised December 2021): Quality Management for an Audit of Financial Statements, on which the definition of group auditor in paragraph 14(h)(iv) is based. The application material in ISA (Ireland) 220 (Revised December 2021) provides further information on how the requirement to determine that sufficient audit evidence has been obtained applies in a group audit.

3. In the context of IAASA's policy to make minimal amendments to the UK standards, are there any areas where there are distinct differences between the Irish and UK markets which would impact on the applicability of the revised standard in Ireland?

If so, please:

- Give your reasons
- Identify the market sectors, entities etc. in Ireland impacted by the proposed standard
- Describe how you believe these matters should be addressed in ISA (Ireland) 600

Summary of comments received and IAASA response

Six respondents did not identify any market differences.

Component auditor communication

One respondent suggested it may be useful to refer to statutory disclosures and disclosures by exception in an Irish audit report in the list of items that the component auditor is requested to communicate in paragraph 45. They noted that such disclosures may not be a requirement for component auditors in other countries.

IAASA does not consider it necessary to amend paragraph 45 as the group auditor may add to the list set out in the standard if they identify additional information required from the component auditor in order to prepare the group audit report.

Leadership responsibilities for managing and achieving quality on a group audit

While they did not note any distinct differences, one respondent raised further concerns regarding the interpretation of paragraph 16-1.

They expressed the view that this paragraph could become particularly difficult to apply in the context of the planned introduction of managed shared audits in the UK. They sought further guidance, with a particular focus on how this requirement would work in the context of the Irish audit market.

Neither Irish nor EU audit legislation provide for managed shared audits. Consequently, IAASA does not intend to issue guidance in this area.

4. Is the proposed effective date, i.e. for audits of group financial statements for periods beginning on or after 15 December 2023, appropriate?
If not, please give reasons and indicate the effective date that you would consider appropriate

Summary of comments received All respondents were in agreement with the effective date.

4. Additional comments

Two respondents requested further guidance in several areas including:

- Component auditors' responsibilities
- The range of qualitative factors that an auditor should consider in performing the group audit scoping exercise and overall risk assessment
- How to address the revisions to ISA (Ireland) 315 (Revised October 2020): Identifying and Assessing the Risks of Material Misstatement, particularly the stand-back requirement of that standard when performing group audits

In line with its policy to adopt the UK standards with minimal amendments, IAASA does not propose to insert additional application material. Also, the IAASB has recently issued a factsheet on the interactions between ISA 220 on quality management at the engagement level and the revised ISA 600. It is likely to issue further implementation support material to assist auditors worldwide in applying the requirements of the revised standard.

In addition, one respondent noted that the examples in Appendix 1 include a cross-reference to the Compendium of Illustrative Auditor's Reports. They expressed the view that the Compendium should be updated to reflect revised ISAs (Ireland). As the revised standard is effective for financial periods beginning on or after 15 December 2023, it is not proposed to amend the Compendium at this time. IAASA will include the revisions to ISA (Ireland) 600 in the list of items to be considered when the compendium is next updated.

5. Irish auditing framework

Several respondents questioned whether IAASA's policy to adopt the UK standards with minimal amendments continues to be appropriate. They referred to Brexit and anticipated changes to the UK audit market, reflected in the Department of Business, Energy and Industrial Strategy's (BEIS)

publication, “Restoring Trust in Audit and Corporate Governance”. To date legislation in the UK has continued to reflect the requirements of the EU Audit Directive and Regulation.

It is noted that the significant changes proposed in the BEIS document, such as managed shared audits, will require primary legislation in order to take effect so it is unlikely they will be implemented in the short term. When the UK legislation is changed, IAASA expects that there will be a further period before those changes are reflected in the UK auditing standards.

IAASA has been closely monitoring the proposed legislative changes in the UK and will continue to carefully consider any changes to the UK auditing framework to ensure that the FRC standards are appropriate for adoption in Ireland and that the Irish auditing framework is consistent with the EU Audit Directive and Regulation. This will include assessing whether it continues to be appropriate to adapt the UK standards for use in Ireland or whether an alternative approach is required.

6. Conclusion

Following the consultation and having regard to the responses received, IAASA is issuing ISA (Ireland) 600 (Revised February 2023): Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).

The final ISA (Ireland) 600 and conforming amendments (Revised February 2023) can be found on IAASA’s website at the following [link](#).

A short video presentation setting out the key features of the revised standard is available on IAASA’s YouTube channel at the following [link](#).

The effective date of the revised standard is for audits of group financial statements for periods beginning on or after 15 December 2023. Early adoption is permitted.



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