



# Project Plan

<b>Project Title:</b>	Proposed ASA 600 <i>Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)</i> ; and Proposed Conforming and Consequential Amendments to Other ASAs
<b>Project Objective(s):</b>	1. To provide comments on ED ISA 600 to the IAASB; 2. To issue revised ASA 600 and conforming amendments to other standards based on the amended ISA and making appropriate Australian amendments
<b>Priority:</b>	High
<b>Issue/Reason:</b>	Refer AUASB Strategic Direction re adoption of ISAs
<b>Date Prepared:</b>	8 May 2020
<b>Date to Be Approved:</b>	Objective 1: June 2020 AUASB meeting Objective 2: TBD (subject to IAASB timelines)

## 1 *Project Objectives*

- (a) To provide comments to the IAASB on ED ISA 600 based on stakeholder input (Phase 1).
- (b) To release a revised ASA 600 and conforming and consequential amendments to impacted standards, based on the amended ISA, after making appropriate Australian amendments to conform to Australian regulatory and statutory requirements, and further amendments where is a compelling reason to do so (Phase 2).

This project plan is for Phase 1 only. Phase 2 will be developed once the timing of the issuing of the final ISA 600 by the IAASB is determined – expected approximately mid-2021.

## 2 *What is being requested of the AUASB*

The technical team is seeking AUASB approval of the project plan for Phase 1 – facilitating feedback into the IAASB ED-ISA 600.

## 3 *Background*

At its March 2020 meeting the IAASB approved ED-ISA 600 for a 150-day exposure period. This ED was issued late April 2020 with a comment close date of 2 October 2020. The AUASB has closely tracked the progress of the development of ED-ISA 600 with particular attention to the key points raised by the AUASB at the time of the invitation to comment (ITC) including:

- (a) At the time of the ITC, the AUASB supported a combination of a top down/bottom up approach to scoping of group audits. Since the progression of ISA 315, the AUASB supports a top down risk-based approach – with audit effort responsive to the risk of material misstatement.

- (b) Explanation on elements of ISA 600 applicability where the component auditor is the group auditor.
- (c) Broadening to ISA to include all types of structures including for example branches, divisions, joint ventures.
- (d) Guidance on practical access issues.
- (e) The involvement of the group engagement partner (GEP) to direct and supervise the component teams work; and additional application material on communications upward from the component auditor to the group auditor could be strengthened as the group auditor is not necessarily the best placed to determine and understand the significant risks at a component level.
- (f) Guidance required in relation to component materiality, component performance materiality and component trivial thresholds, particularly in relation to the concept of aggregation risk.
- (g) Guidance as to extent of documentation of the GETs involvement in the work of component auditors.

The AUASB will now have the opportunity to provide comment to the IAASB on all aspects of the Exposure Draft with input from Australian stakeholders.

#### 4 *Stakeholders*

- Practitioners – private (large, medium and SMP) and public sector
- Regulators - ASIC, APRA
- Entities preparing general or special purpose financial statements that are audited
- Accounting bodies – CA ANZ, CPA Australia & IPA – representing practitioners.
- Other Standards Setting Boards –NZAuASB, IAASB

#### 5 *Risks/Issues*

- Issues are not identified and communicated to the IAASB on the ED.
- Final ISA 600 not consistent with feedback from the AUASB (and its stakeholders).
- Proposed amendments to the ISA are not made only in accordance with the “compelling reasons” policies and such changes are consistently applied to the relevant standards.
- Proper consideration is given to stakeholder input.

#### 6 *Action Plan*

##### Phase 1

To provide comments to the IAASB on ED ISA 600 based on AUASB member and Australian stakeholder input.

- Draft the AUASB’s Explanatory Memorandum to accompany ED-ISA 600 (wrap around). The Explanatory Memorandum (EM) is to include an explanation to the one “Aus” paragraph Aus A12.1<sup>1</sup>, in the extant ASA 600 relating to a *Corporations Act 2001* requirement. In discussions to date there have been no other indicators in relation to compelling reasons. The EM to include any other specific Australian matters that the AUASB may determine appropriate – to be discussed at the June 2020 AUASB meeting.

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<sup>1</sup> Aus A12.1 Section 323B of the Corporations Act 2001 (the Act) requires the auditor of a controlled (component) entity to give the principal (group) auditor any information, explanation or assistance required under section 323A of the Act.

- Exposure period less than the IAASB’s to allow time to consider comments, obtain AUASB input and prepare submission - proposed 70 days (consistent with ED-ISA 315).
- Promote initial educative webinar in June 2020 being hosted by IAASB.
- Outreach to be conducted via remote zoom roundtables on various dates through July and August 2020.
- Other outreach may be conducted as the need/opportunity arises – we are currently investigating whether the IAASB taskforce chair can present a webinar for the Australian audience.
- AUASB to review submissions received from Australian stakeholders and the submission to the IAASB at a date to be determined in mid/late September 2020.

## Phase 2

To be developed at a later stage with timing reflective of the IAASB.

### 7 *Timetable and outreach*

9 June 2020	AUASB meeting to approve the EM to accompany the international ED-ISA 600 and conforming amendments.
15 June 2020	Issue EM and international ED-ISA 600 with a 70-day comment period closing 24 August 2020
mid-June 2020	IAASB Educative Webinar – advertised via website and social media platforms
Late June – Mid August	Remote roundtables via Zoom with limited participants at each meeting – advertised via website and social media platforms with some targeted advertising. Roundtables would be split into large national networks, mid-size and professional bodies, other.
24 August 2020	Comment period closes
Mid-September 2020	Feedback summary and draft response to AUASB – form and timing of meeting to be determined
End September 2020	Out of session AUASB approval of final response to IAASB
2 October 2020	Submission due to IAASB

### 8 *Responsibility*

Rodney Piltz – Project Specific AUASB sponsor.

Rene Herman – Project Specific dedicated AUASB technical group member.