

ASA 600
(October 2009)

Explanatory Statement

ASA 600 Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

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**Reasons for Issuing Auditing Standard ASA 600
*Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)***

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory board of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001* (the Act), the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the International Auditing and Assurance Standards Board (IAASB) for the revision and enhancement of the International Standards on Auditing (ISAs) and to make appropriate consequential amendments to the Australian Auditing Standards. The IAASB has undertaken a programme to redraft, and in some cases, revise, in “clarity” format, the entire suite of ISAs. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs.

The Auditing Standard conforms with ISA 600 *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*.

Operative Date

ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* is operative for financial reporting periods commencing on or after 1 January 2010.

Purpose of Auditing Standard ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*

The purpose of the Auditing Standard is to establish requirements and to provide application and other explanatory material to auditors regarding special considerations that apply to group audits, in particular those that involve component auditors.

Main Features

The Auditing Standard:

- (a) describes the responsibilities of the group engagement partner;
- (b) describes acceptance and continuance requirements;
- (c) requires an overall audit strategy to be established and an audit plan to be developed;
- (d) requires the auditor to identify and assess the risks of material misstatement through obtaining an understanding of the entity and its environment;
- (e) details the requirements in responding to assessed risks;
- (f) details the requirements in communicating with component auditors, group management and those charged with governance of the group; and
- (g) describes specific documentation requirements.

Preamble and Overall Objectives

ASA 600 is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. ASA 600 is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Process of making Australian Auditing Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- use the International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

In implementing the FRC's Strategic Direction, the AUASB has undertaken a process of revision and redrafting of the Australian Auditing Standards that has:

- updated the form, layout and content of the Australian Auditing Standards;
- addressed the legal enforceability of mandatory obligations;
- maintained clarity of the auditor's obligations;
- incorporated appropriate references to Australian laws and regulations;
- clearly identified, by use of the prefix "Aus", AUASB additions to paragraphs in the requirements or the application and other explanatory material; and
- included other amendments as necessary.

Consultation Process prior to issuing the Auditing Standard

The AUASB has consulted publicly as part of its due process in developing the Auditing Standard. Exposure Draft ED 11/08 *Proposed Auditing Standard: Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* (Re-issuance of ASA 600), was issued on 15 September 2008 with a 30 day comment period.

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As an integral part of its consultation with the public, the AUASB sought comments on specific questions including:

- the completeness and accuracy of references in the Auditing Standard to relevant laws and regulations;
- the significant costs, if any, and benefits, of compliance with any additional requirements under the Auditing Standard; and
- whether or not there exist any matters of public interest affecting the issuance of the Auditing Standard.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the Auditing Standard.

Regulation Impact Statement

A *Regulation Impact Statement* (RIS) has been prepared in connection with the redrafting of Australian Auditing Standards in “clarity” format, including *ASA 600 Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

The RIS has considered both the expected benefits and expected costs of the introduction of clarified auditing standards, including comments provided by stakeholders during the redrafting process. It concluded that expected benefits to users of audit services, users of audit reports, auditors and the Australian economy in general are, on balance, likely to outweigh expected costs.

Main Differences from ASA 600 *Using the Work of Another Auditor* (April 2006)

The main differences between the Auditing Standard and the Auditing Standard that it supersedes, *ASA 600 Using the Work of Another Auditor* (April 2006), are as follows:

1. Auditing Standard ASA 600 is written in the “clarity” format using the equivalent International Standard on Auditing (*ISA 600 Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*) as the underlying Auditing Standard. Consequently, the format, layout, and paragraph numbering styles are different from the extant Auditing Standard.

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2. In accordance with normal updating practice, ASA 600 (using ISA 600 as the underlying standard) has been subject to a major revision in addition to redrafting in “clarity” format. This revision has resulted in substantial changes to the form and content of the Auditing Standard. In ASA 600 the requirements and application and other explanatory material paragraphs are either:
 - (a) new paragraphs
 - (b) elevations of extant guidance paragraphs, or
 - (c) rewording of extant paragraphs.
3. Due to the significant variances in group audit practices, the revision focused mainly on special considerations that apply to group audits and, in particular, those that involve component auditors. The extant Auditing Standard does not comprehensively address the audit of groups. In particular, the revision addressed the responsibilities and audit procedures of the group auditor and the component auditor.