



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

### Purpose of this publication

These Frequently Asked Questions (FAQs) have been prepared by AUASB Staff and are intended to assist both group and component auditors in understanding the revisions and operations of the revised ASA 600 *Audits of a Group Financial Report (Including the Work of Component Auditors)* (ASA 600).

### Background

ASA 600, effective for reporting periods commencing on or after 15 December 2023, recognises that many Australian audits today are audits of group financial statements, and that the global environment makes group audits more complex and challenging. ASA 600 is expected to enhance audit quality by strengthening the accountability of group auditors and clarifying the interactive relationship between group and component auditors.

ASA 600 deals with the special considerations that apply to a group audit, including in those circumstances when component auditors are involved, while recognising that the Group Engagement Partner remains ultimately responsible for managing and achieving quality on the group audit engagement.

ASA 600 is closely aligned to the recently revised risk identification and assessment standard and Quality Management suite of standards which strengthens and improves the management of quality at the group engagement level and the component level by adopting a risk-based approach to planning and performing a group audit engagement.

### Frequently asked questions

<b>Question 1</b>	<b>When is the new ASA 600 effective?</b>																																				
Answer	<p>The operative date for ASA 600 is for financial reporting periods commencing on or after 15 December 2023. For many component auditors who assist with December year end engagements, 1 January 2024 is just around the corner!</p> <table border="1"> <tr> <td>Standard effective</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td></td> <td colspan="6">Effective for December 2024 year ends</td> <td></td> <td></td> </tr> <tr> <td></td> <td colspan="6">Effective for June 2025 year ends</td> <td></td> <td></td> </tr> <tr> <td>15-Dec-23</td> <td>1-Jan-24</td> <td></td> <td></td> <td>1-Jul-24</td> <td></td> <td>31-Dec-24</td> <td></td> <td>30-Jun-25</td> </tr> </table>	Standard effective										Effective for December 2024 year ends									Effective for June 2025 year ends								15-Dec-23	1-Jan-24			1-Jul-24		31-Dec-24		30-Jun-25
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<b>Question 2</b>	<b>What are the main changes to ASA 600?</b>
Answer	<p>At its essence, the revised ASA 600 is a risk-based standard, that can be characterised as thinking about what work is to be performed, how and by whom and where that work is to be performed. The intent of the standard is that the right work is done by the right people at the right locations.</p> <p>The new and revised requirements in ASA 600 better aligns to some of the more recently revised standards (ASA 315,<sup>1</sup> ASQM 1,<sup>2</sup> ASQM 2<sup>3</sup> and ASA 220<sup>4</sup>) with the more significant changes being:</p> <ul style="list-style-type: none"><li>• A risk-based approach framework for planning and performing a group audit engagement with a greater focus on:<ul style="list-style-type: none"><li>○ identifying and assessing the risks of material misstatement and performing further audit procedures in response to the assessed risks (what is the risk).</li><li>○ planning an appropriate approach to obtaining sufficient appropriate audit evidence (how are we going to address the risk and who is going to address the risk).</li></ul></li><li>• Clarification on how the revised ASA 220 applies to manage and achieve audit quality in a group audit, including having sufficient and appropriate resources to perform the engagement, and appropriate direction and supervision of the engagement team and the review of its work.</li><li>• Clarification on the various types of access to people and information restrictions that may exist and guidance on how to overcome such restrictions.</li><li>• Scalability considerations including separate sections for considerations when component auditors are involved.</li></ul>
<b>Question 3</b>	<b>If I am performing a group audit under ASA 600, do I need to apply the requirements of other auditing standards or can I just comply with the requirements of ASA 600?</b>
Answer	<p>ASA 600 clarifies and reinforces that all ASA's, when applicable, need to be applied in a group audit engagement through establishing strong linkages to the ISAs, in particular ASA 220, ASA 315, and ASA 330.</p> <p>The ASAs apply to an audit of group financial statements and ASA 600 deals with special considerations in an audit of group financial statements. Effectively, the requirements and application material in ASA 600 refer to, or expand on, how other relevant ASAs are to be applied in relation to an audit of group financial statements.<sup>5</sup></p>

<sup>1</sup> See ASA 315 *Identifying and Assessing the Risks of Material Misstatement*.

<sup>2</sup> See ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*.

<sup>3</sup> See ASQM 2 *Engagement Quality Reviews*.

<sup>4</sup> See ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*.

<sup>5</sup> Paragraph 1/ASA 600.



<b>Question 4</b>	<b>How do I know if ASA 600 applies to my audit engagement?</b>
Answer	<p>The definition of a group and a group financial report is much wider than just a parent and its subsidiaries and there may be a level of surprise when realising an entity or business unit is part of a group.</p> <p>The entry point into the standard is when a group financial report is prepared. A group financial report includes the financial information of more than one entity or business unit through a consolidation process.<sup>6</sup></p> <p>The standard defines the term ‘consolidation process’ which for the purposes of ASA 600 refers not only to the preparation of a consolidated financial report in accordance with the applicable financial reporting framework, but also to the presentation of a combined financial report of the financial information of entities or business units that have no parent but are under common control or common management, and to the aggregation of the financial information of entities or business units such as branches or divisions.<sup>7</sup></p> <p><i>Examples of when a single legal entity may or may not be captured by ASA 600</i></p> <p>A single legal entity may be organised with more than one business unit, for example, a company with operations in multiple locations, such as a bank with multiple branches. When those business units have characteristics such as separate locations, separate management, or separate information systems (including a separate general ledger) and the financial information is aggregated in preparing the single legal entity’s financial statements, these financial statements meet the definition of group financial statements because they include the financial information of more than one entity or business unit through a consolidation process.<sup>8</sup></p> <p>However, in some cases, a single legal entity may configure its information system to capture financial information for more than one product or service line for legal or regulatory reporting or other management purposes. In these circumstances, the entity’s financial statements are not group financial statements because there is no aggregation of the financial information of more than one entity or business unit through a consolidation process. Capturing separate information for legal or regulatory purposes or other management purposes does not create separate entities or business units for the purposes of ASA 600.</p> <p>Importantly, ASA 600 applies to group audits regardless of who audits the components. When there is one engagement team for the group and its components, some requirements of the standard, specifically those related to component auditors, will not apply.</p>

<sup>6</sup> Paragraph 14(k)/ASA 600.

<sup>7</sup> Paragraph 2 and 14(k)/ASA 600.

<sup>8</sup> Paragraph A4/ASA 600.



<b>Question 5</b>	<b>How is the standard scalable, that is, what if I'm auditing a simple group and all the audit work is performed centrally by one team?</b>
Answer	ASA 600 is intended for all group audits regardless of size or complexity. When a group audit is carried out entirely by the group auditor, some requirements of the standard are not relevant because they are conditional on the involvement of component auditors. This may be the case when the group auditor is able to perform audit procedures centrally or is able to perform procedures at the components without involving component auditors. To greatly assist with scalability, ASA 600 has included separate sections throughout the standard to highlight the requirements and application material for circumstances when component auditors are involved.
<b>Question 6</b>	<b>Does the concept of significant components still exist in the new ASA 600? How is a component determined?</b>
Answer	<p>The concept of significant components no longer exists in the new ASA 600.</p> <p>The group auditor determines an appropriate approach to planning and performing audit procedures to respond to the assessed risks of material misstatement of the group financial statements.<sup>9</sup> In establishing an overall group audit strategy and group audit plan, the group auditor determines the components at which audit work will be performed,<sup>10</sup> the determination of which is a matter of professional judgement.<sup>11</sup></p> <p>The determination of components is based on the group auditor's understanding of the group and its environment, and other factors such as the ability to perform audit procedures centrally, the presence of shared service centres, or the existence of common information systems and internal control.<sup>12</sup> The identification of components by auditors for the purposes of planning and performing the group audit does not need to align with how management organises the entities for business purposes.</p> <p>For example, a group may have 3 legal entities with similar business characteristics, operating in the same geographical location, under the same management and using the same system of internal controls. The group auditor may decide to treat the 3 legal entities as one component.</p> <p>Importantly, the group auditor will need to document their determination of components for the purposes of planning and performing the group audit.<sup>13</sup></p>

<sup>9</sup> Paragraph 5/ASA 600.

<sup>10</sup> Paragraph 22(a)/ASA 600.

<sup>11</sup> Paragraph A51/ASA 600.

<sup>12</sup> Paragraph 5/ASA 600.

<sup>13</sup> Paragraph 59(b)/ASA 600.



<b>Question 7</b>	<b>If the group auditor is the one who determines components and the involvement of component auditors, can they decide that using a component auditor isn't necessary?</b>
Answer	<p>Deciding whether to use component auditors or not, is a determination of the group auditor; however, ASA 600 recognises that the involvement of component auditors is critical for many group audit engagements. Importantly, ASA 600 highlights that component auditors may have greater experience and a more in-depth knowledge of the components and their environments (including local laws and regulations, business practices, language and culture).<sup>14</sup></p> <p>There is also extensive application material on the resources needed to perform the group engagement, including matters that may influence the group auditor's determination about whether to involve component auditors and highlights that component auditors will often be involved in all phases of the group audit.<sup>15</sup></p> <p>Additionally, when responding to the assessed risk of material misstatement, ASA 600 recognises that it is the group auditor's responsibility for the nature, timing and extent of further audit procedures performed which includes determining the components at which to perform further audit procedures, and the nature, timing and extent of the work to be performed at those components.</p>
<b>Question 8</b>	<b>What if I can't get access to a component information or management? Does a component have to grant me access?</b>
Answer	<p>ASA 600 cannot enforce access to people and information, but it helps by providing guidance for situations where access to people or information is restricted.</p> <p>Before accepting or continuing with a group audit engagement, the group audit partner is required to determine whether sufficient appropriate audit evidence can reasonably be expected to be obtained.<sup>16</sup> As part of the terms of the audit engagement, group management will need to agree that the engagement team will have access to all relevant information and unrestricted access to persons within the group.<sup>17</sup> If the group engagement partner concludes that group management cannot provide the engagement team with access to information or unrestricted access to persons within the group due to restrictions that are outside the control of group management, the group engagement partner upfront, considers the possible effects on the group audit.<sup>18</sup></p> <p>ASA 600 recognises that there are several types of access issues that may occur in a group audit. Each type of access issue may require a different approach. ASA 600 differentiates between restrictions on access outside the control of group management and those that are imposed by group management. It provides enhanced application material<sup>19</sup> on these restrictions and how the group auditor</p>

<sup>14</sup> Paragraph 7/ASA 600.

<sup>15</sup> Paragraphs A52-A53/ASA 600.

<sup>16</sup> Paragraph 17/ASA 600.

<sup>17</sup> Paragraph 19/ASA 600.

<sup>18</sup> Paragraph 20/ASA 600.

<sup>19</sup> Paragraphs A38-A44/ASA 600.



may be able to overcome access issues with an example of this being around equity investments.

*Non-controlling interest in equity investment*

If the group has a non-controlling interest in an entity that is accounted for by the equity method, the group auditor may determine whether provisions exist regarding access by the group to the financial information of the entity and request group management to exercise such rights.<sup>20</sup>

If access to information or people continues to be restricted, the group auditor may be able to obtain information to be used as audit evidence regarding the entity's financial information by other means, for example:

- Financial information that is available from the group, as group management also require information in order to prepare group financial statements.
- Publicly available information such as public disclosure documents or quoted prices of equity instruments in the non-controlled entity.<sup>21</sup>

It is a matter of professional judgment, particularly in view of the assessed risks of material misstatement of the group financial statements and considering other sources of information that may corroborate or otherwise contribute to audit evidence obtained, whether the auditor can obtain sufficient appropriate audit evidence.

*What if access continues to be an issue?*

When it is not possible to overcome restrictions on access to people and information, the group auditor may communicate:

- about the restrictions to the group engagement team's firm so that the firm may assist in determining the appropriate course of action.
- with regulators, listing authorities or others about the restrictions (where required by law or regulation).<sup>22</sup>

As a general reminder, restrictions on access to information or people do not eliminate the requirement for the group auditor to obtain sufficient appropriate audit evidence.

*Access to component auditor audit documentation*

When access to component auditor audit documentation is restricted, the group auditor's documentation still needs to comply with the requirements of the ASAs, including those relating to the documentation of the nature, timing and extent of the group auditor's direction and supervision of component auditors and the review of their work.<sup>23</sup>

The group auditor may be able to overcome these access restrictions by, for example:

<sup>20</sup> Paragraph A40/ASA 600.

<sup>21</sup> Paragraph A41/ASA 600.

<sup>22</sup> Paragraph A43/ASA 600.

<sup>23</sup> Paragraph A181/ASA 600.



	<ul style="list-style-type: none"><li>• Visiting the location of the component auditor, or meeting with the component auditor in a location different from where the component auditor is located;</li><li>• Reviewing the relevant audit documentation remotely through the use of technology, when not prohibited by law or regulation;</li><li>• Requesting the component auditor to prepare and provide a memorandum that addresses the relevant information and holding discussions with the component auditor, if necessary, to discuss the contents of the memorandum; or</li><li>• Discussing with the component auditor the procedures performed, the evidence obtained, and the conclusions reached by the component auditor.</li></ul> <p>It is a matter of professional judgement whether one or more of the actions described above may be sufficient to overcome the restrictions depending on the facts and circumstances of the group audit.<sup>24</sup></p> <p>A scope limitation may exist if the group auditor is unable to overcome restrictions on access to component auditor audit documentation.</p>
<b>Question 9</b>	<b>As a component auditor, what are my responsibilities under ASA 600?</b>
Answer	<p>A component auditor is a part of the engagement team for a group audit and while ASA 600 establishes the requirements for the group auditor, the standard also indirectly provides guidance for a component auditor. However, in establishing the overall group audit strategy and group audit plan, the group auditor is required to request the component auditor to confirm that the component auditor will cooperate with the group auditor, including whether the component auditor will perform the work requested by the group auditor.<sup>25</sup> While ASA 600 cannot force this cooperation, if the group auditor cannot obtain agreement regarding cooperation from the component auditor, the group auditor may need to obtain sufficient appropriate audit evidence relating to the work to be performed at the component without involving the component auditor.</p> <p>There are numerous requirements for the group auditor to fulfil where component auditors are involved, and these all require the cooperation of the component auditor. Some of the more significant requirements that require such cooperation is when the group auditor is required to:</p> <ul style="list-style-type: none"><li>• confirm whether the component auditors understand and will comply with the relevant ethical requirements, including those related to independence, that apply to the group audit engagement.</li><li>• communicate with component auditors about their respective responsibilities and the group auditor's expectations, including an expectation that communications between the group auditor and component auditors take place at appropriate times throughout the group audit.</li><li>• request the component auditors to communicate on a timely basis:</li></ul>

<sup>24</sup> Paragraph A180/ASA 600.

<sup>25</sup> Paragraph 24/ASA 600.



	<ul style="list-style-type: none"><li>○ Matters related to the financial information of the component that the component auditor determines to be relevant to the identification and assessment of the risks of material misstatement of the group financial statements;</li><li>○ Related party relationships not previously identified by group management or the group auditor; and</li><li>○ Any events or conditions identified by the component auditor that may cast significant doubt on the group's ability to continue as a going concern.</li></ul> <ul style="list-style-type: none"><li>● request the component auditor to communicate matters relevant to the group auditor's conclusion.</li><li>● request the component auditors to notify the group auditor if they become aware of subsequent events that may require adjustment of, or disclosure in, the group financial statements.</li></ul> <p>The previous ASA 600 addresses communication from the group to the component, however it was more of a top-down approach. The new ASA 600 reinforces the importance of 2-way communications and interactions between the component auditor and the group auditor in both directions and recognises that communications are an integral part of the direction, supervision and review of component auditors.</p>
<b>Question 10</b>	<b>As a component auditor, I've given the group auditor a summary memorandum, yet the group auditor still wants to review my workpapers for some judgemental areas, is this a reasonable request?</b>
<b>Answer</b>	<p>The group engagement partner takes responsibility for the nature, timing and extent of direction and supervision of component auditors and the review of their work. This is done by taking into account areas of higher assessed risks of material misstatement of the group financial report, or significant risks identified in accordance with ASA 315 and areas in the audit of the group financial report that involve significant judgement.<sup>26</sup> The component auditor has agreed to cooperate with the group auditor<sup>27</sup> and should facilitate any reasonable request by the group auditor for access to component audit documentation.</p> <p>For a group audit, particularly when the engagement team includes a large number of component auditors that may be located in multiple locations, the group engagement partner may assign the design or performance of procedures, tasks or actions to other members of the engagement team to assist the group engagement partner in fulfilling the responsibility for the nature, timing and extent of the direction and supervision of component auditors and the review of their work.<sup>28</sup></p> <p>The nature, timing and extent of direction and supervision of component auditors and review of their work may be tailored based on the nature and circumstances of the engagement. For example, if the group auditor has identified a component that includes a significant risk, an increase in the extent of direction and</p>

<sup>26</sup> Paragraph 29/ASA 220 and paragraph 28/ASA 600.

<sup>27</sup> Paragraph 24/ASA 600.

<sup>28</sup> Paragraph A73/ASA 600.





supervision of the component auditor and a more detailed review of the component auditor's audit documentation may be appropriate.

*Significant matters, significant judgements and other matters*

In applying ASA 220<sup>29</sup> the group engagement partner is required to review audit documentation at appropriate points in time during the audit engagement, including audit documentation relevant to the group audit relating to:

- Significant matters;
- Significant judgments; and
- Other matters that, in the engagement partner's professional judgment, are relevant to the engagement partner's responsibilities.

The review of this audit documentation by the group engagement partner often takes place during the course of the group audit, including the review of relevant component auditor audit documentation.<sup>30</sup>

The parts of the audit documentation of the component auditor that will be relevant to the group audit may vary depending on the circumstances. Often the focus is on audit documentation that is relevant to the significant risks of material misstatement of the group financial report<sup>31</sup>. The nature and extent of the audit documentation to be reviewed by the group auditor is determined by the auditor using professional judgement. In some instances, it may be efficient and effective for the group auditor to review the component auditor's workpapers.

*Review of additional component auditor documentation*

Furthermore, the group auditor determines whether and the extent to which it is necessary to review **additional** component auditor documentation.

Communications from the component auditor and the review of component auditor documentation by the group auditor during the course of the group audit may impact this determination. Other factors that may affect the extent of the review of additional component auditor work include:

- the degree to which the component auditor was involved in risk assessment procedures.
- the significant judgements made by and the findings or conclusions of the component auditor about matters that are material to the group financial report.
- the competence and capabilities of more experienced engagement team members from the component auditor responsible for reviewing the work of less experienced individuals.
- whether the component auditor and group auditor are subject to common policies or procedures for review of audit documentation.<sup>32</sup>

Importantly, there is also a specific requirement in relation to the group auditor's review of additional component auditor audit documentation.<sup>33</sup>

<sup>29</sup> Paragraphs 31 and A92-A93/ASA 220.

<sup>30</sup> Paragraph A77/ASA 600.

<sup>31</sup> Paragraph A61/ASA 600.

<sup>32</sup> Paragraph A149/ASA 600.

<sup>33</sup> Paragraph 59(f)/ASA 600.



<b>Question 11</b>	<b>The group auditor keeps asking for copies of my workpapers, does the group auditor really need to keep copies of the component auditors workpapers in their file?</b>
Answer	<p>The general principle is that component auditor audit documentation ordinarily need not be replicated in the group auditor’s audit file; however, the group auditor may summarise or keep copies of certain component auditor documentation in the group audit file to supplement the description of a particular matter in communications from the component auditor. Examples of audit documentation may include:</p> <ul style="list-style-type: none"><li>• a listing or summary of the significant judgements made by the component auditor and the conclusions reached that are relevant to the group audit.</li><li>• matters that may need to be communicated to those charged with governance of the group.</li><li>• matters that may be determined to be key audit matters to be communicated in the auditor’s report on the group financial report.<sup>34</sup></li></ul> <p>Audit documentation for a group audit comprises the documentation in the group auditor’s file and the separate documentation in the respective component auditor files relating to the work performed by the component auditors for purposes of the group audit (i.e., component auditor audit documentation).<sup>35</sup></p>

<sup>34</sup> Paragraphs A176 and A177/ASA 600.

<sup>35</sup> Paragraph A168/ASA 600.