

2023

Feedback Paper - Responses Received

ISA (Ireland) 600
(Revised February 2023)

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

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Responses Received

1. ACCA
2. CHARTERED ACCOUNTANTS IRELAND
3. CPA
4. DELOITTE
5. EY
6. KPMG
7. PwC

Proposal to Revise ISA (Ireland) 600 Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)

A consultation issued for public consultation by the Irish Auditing and Accounting Supervisory Authority (IAASA)

Comments from ACCA
9 December 2022
Ref: TECH-CDR-2030

ACCA (the Association of Chartered Certified Accountants) is the global professional body for professional accountants.

We're a thriving global community of **241,000** members and **542,000** future members based in **178** countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

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Further information about ACCA's comments on the matters discussed here can be requested from:

Tim Dee

Regional Lead, Policy & Insights (EEMA)

tim.dee@accaglobal.com

Laura Murphy

Lead – Regulator Reporting

laura.murphy@accaglobal.com



GENERAL COMMENTS

ACCA welcomes the opportunity to respond to the Proposal to Revise ISA (Ireland) 600 Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors). Our comments are as follows:

AREAS FOR SPECIFIC COMMENT

Question 1: Do you agree that it is in the public interest that IAASA revises ISA (Ireland) 600? If not, please give your reasons and describe any alternatives that you wish IAASA to consider.

Yes. We support maximum harmonisation with IAASB and FRC standards and we understand from our members in practice that, due to the reduction in UK resident auditors holding Irish audit registration and vice versa, many more Irish auditors need to reference ISA 600 both as lead and component auditor.

Question 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.**

We note that the text in 51D-1(b) is subtly different to the wording used in the legislation (Section 1527(7)(a)). The omission of the words 'where applicable' at the end of paragraph 51D-1(b) is potentially problematic. It is not clear if the words 'where applicable' mean that the report needs to be made to either the relevant Supervisory Authority or the recognised accountancy body; or if the words 'where applicable' mean that the report is made to the auditor's competent authority when it is applicable (ie necessary) to do so. We can see no reason why an automatic report would need to be made in each and every instance where Paragraph 29D-1 cannot be complied with. However, we can see situations where a report may be necessary and applicable where, for example, an inspection is being performed by IAASA or a professional body on the particular group audit. We recommend reverting to the exact words in the legislation.

Question 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.**

While the desire to maintain conformity with the FRC standard is well understood, there are some statutory disclosures and disclosures by exception required in an Irish audit report. Paragraph 45 could usefully be added to through the inclusion of a reference to such disclosures especially as those may not be a requirement for component auditors in other countries.

Question 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.

Yes.



Kevin Prendergast

Irish Auditing & Accounting Supervisory Authority

Willow House

Millennium Park, Naas

Co Kildare,

Ireland

9 December 2022

E-mail: submissions@iaasa.ie

Dear Kevin,

The Assurance and Audit Technical Committee of Chartered Accountants Ireland is pleased to provide comments on IAASA's Proposal to Revise International Standard on Auditing (ISA) (Ireland) 600: Special Considerations – Audit of Group Financial Statements (including the Work of Component Auditors).

We address the questions in the consultation paper below and have included some additional matters which we feel IAASA could address in additional application notes, and we would be happy to assist in the drafting of same.

1. Do you agree that it is in the public interest that IAASA revises ISA (Ireland) 600? If not, please give your reasons and describe any alternatives that you wish IAASA to consider.

We are supportive of moves to keep Irish auditing standards in alignment with international standards, and we agree with the inclusion of the proposed additional material for adoption in Ireland, subject to some comments below.

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**

We note the proposed amendments to paragraphs 25 (b) and A 60-3 and are in agreement with these proposals.

We note that the FRC included a diagram in Paragraph 14 which (according to its published feedback statement) was considered helpful. However, we note that this is not included in the IAASA published draft, although we consider that this may be a publishing error as it is referred to in a footnote.

We believe that additional guidance is needed in respect paragraph 16-1. We feel that this paragraph could be misinterpreted and lead to the group partners spreading their reviews over too many entities rather than focusing on where the risks lie. In relation to the 16-1 requirement for the group engagement partner's firm to bear responsibility for the design, implementation and operation of a system of quality management, guidance on how to apply this to non-network firms would be helpful.

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**

We are not aware of any differences between the Irish and UK markets which would give rise to a need to amend this ISA (Ireland).

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.

We are in agreement with the proposed effective date which is in line with the effective dates set out in both the UK and international standards

Additional Comments

Appendix 1

We note that the examples in Appendix 1 have not been tailored for Ireland and there is a cross reference to the compendium of audit reports. The compendium of audit reports should be updated to reflect revised ISAs.

Component auditors

We believe that additional application paragraphs aimed at component auditors would be helpful.

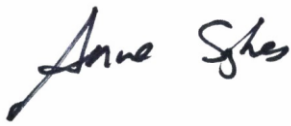
The ISA mainly focuses on the responsibilities of the group auditor/at the group engagement team level, further guidance/application material would be helpful aimed at the role of the component auditor(s). Component auditors can be, and often are, involved in all aspects of a group audit engagement, including initial risk assessment, so guidance on the responsibilities that come with this role would be beneficial and contribute to enhancing audit quality.

As the concept of a "significant" component based on a quantitative assessment is now removed from this ISA, guidance on the range of qualitative factors that an auditor should consider in performing the group audit scoping exercise and overall risk assessment would be welcomed.

In light of the significant revisions that have been made to ISA(Ireland) 315 (Revised), additional guidance on how to address some of these revisions in a group audit scenario would also be helpful, particularly relating to the Standback requirement.

If you have any questions on any of the comments in this response we will be happy to discuss these with you and provide any further detail you need, please do not hesitate to contact me at anne.sykes@charteredaccountants.ie.

Regards



Anne Sykes

Secretary

Assurance and Audit Technical Committee

Chartered Accountants Ireland



Irish Auditing and Accounting Supervisory Authority,
Willow House
Millennium Park,
Naas,
Co. Kildare

12th December 2022

By e-mail to: submissions@iaasa.ie

Dear Sir/Madam

Re: Consultation paper on the proposal to revise International Standard on Auditing (ISA) (Ireland) 600: Special Considerations – Audits of Group Financial Statements (including the Work of Component Auditors) and make related conforming amendments to other standards.

We welcome the opportunity to respond to the consultation regarding the proposal to revise ISA 600, Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors).

We have previously responded to the IAASB's Consultation on this standard and we append our response for information purposes (Appendix One).

We welcome many of the proposals in this revision to ISA 600. We welcome the enhanced approach to the use of professional scepticism throughout the group audit and the focus placed on identifying and assessing the risks of material misstatement of the group financial statements.

In terms of the use of the standard by SMPs, we note that there are small and medium sized firms that act as component auditors within large groups or act as a group auditor for smaller groups. In this regard we strongly support the "think small first" approach to the development of standards and in particular the focus of the IAASB's project, "Audits of Less Complex Entities". It is essential that in considering the development of standards that scalability is achieved and monitored going forward for the audits of less complex groups. We are encouraged to see the dialogue around group audits and component auditors in the context of the most recent IAASB board meetings where the Audits of Less Complex Entities project was considered, and we await the outcome of these deliberations expected shortly.

We have set out below our response to IAASA's consultation.

1. Do you agree that it is in the public interest that IAASA revises ISA (Ireland) 600? If not, please give your reasons and describe any alternatives that you wish IAASA to consider.

We agree that it is in the public interest that IAASA revises ISA (Ireland) 600, given that the IAASB and FRC have concluded their revisions of the standard. It is essential that Irish standards achieve equivalency with international standards. This is especially important in the context of group audits which may be conducted across multiple jurisdictions.

17 Harcourt Street, Dublin 2, D02 W963 +353 (0) 1 425 1000 cpa@cpaireland.ie cpaireland.ie



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?

We have not identified any provisions in the proposed ISA (Ireland) 600 that conflicts with Irish or EU law.

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?

We have not identified any areas where there are distinct differences. We would urge that this be closely monitored post Brexit.

4. Is the proposed effective date, i.e., for audits of group financial statements for periods beginning on or after 15 December 2023, appropriate?

We consider that the proposed effective date is appropriate, which is in line with the FRC's and IAASB's effective date.

If you have any queries on any aspect of our response, please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in black ink that reads 'Emer Kelly'.

Emer Kelly
Secretary – Audit Practices Sub Committee



APPENDIX ONE

International Auditing and Assurance Standards Board

529 Fifth Avenue,

6th Floor,

New York

NY 10017

USA

8th October 2020

Dear Sir/Madam,

PROPOSED INTERNATIONAL STANDARD ON AUDITING 600 (REVISED): SPECIAL CONSIDERATIONS -- AUDITS OF GROUP FINANCIAL STATEMENTS (INCLUDING THE WORK OF COMPONENT AUDITORS)

We welcome this opportunity to respond to the consultation regarding the proposal to revise ISA 600, Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors).

Many auditors from small and medium sized firms (SMPs) act in a capacity as component auditors within large groups or act as a group auditor for smaller groups. In this regard we strongly support the “think small first” approach to the development of standards and in particular the focus of the IAASB’s project, “Audits of Less Complex Entities”. It is essential that in considering the development of standards that scalability is achieved, and in particular for the audits of less complex groups.

We have some concerns with the potential impact on component auditors and particularly those within SMPs. The potential shift of some responsibilities, for example in the area of risk assessment, to the group auditor we believe may have a detrimental impact on audit quality. We note the revised definition of Group Engagement Team (GET) and in particular the shift in the responsibilities for the direction and supervision of component auditors. We would request that such a development be closely monitored in terms of any impact that it may have on the ability of the component auditor to assess risk and design audit procedures. It is essential that the audit process allow for diversification of opinion and experience on the audit, both of which we believe deliver enhancements to audit quality.

We welcome many of the proposals in this consultation. In particular, we welcome the enhanced approach to the use of professional scepticism throughout the group audit and the focus placed on identifying and assessing the risks of material misstatement of the group financial statements.

17 Harcourt Street, Dublin 2, D02 W963 +353 (0) 1 425 1000 cpa@cpaireland.ie cpaireland.ie



We also welcome the approach and the enhanced application material included to strengthen the communication between component auditors and the group engagement team.

We have set out below our response to the questions posed by the consultation;

Overall Questions

1. With respect to the linkages to other standards:

(a) Does ED-600 have appropriate linkages to other ISAs and with the proposed ISQMs?

We believe that ED-600 has appropriate links to other ISAs and with the proposed ISQMs.

(b) Does ED-600 sufficiently address the special considerations in a group audit with respect to applying the requirements and application material in other relevant ISAs, including proposed ISA 220 (Revised)? Are there other special considerations for a group audit that you believe have not been addressed in ED-600?

We have already raised the matter of the role of component auditors. We have not identified any further areas for special consideration.

2. With respect to the structure of the standard, do you support the placement of sub-sections throughout ED-600 that highlight the requirements when component auditors are involved?

On balance we support the proposed structure used throughout ED-600. It ensures that the consideration of the work of the component auditor is considered at each important stage of the audit process.

3. Do the requirements and application material of ED-600 appropriately reinforce the exercise of professional skepticism in relation to an audit of group financial statements?

We welcome the application material relating to the exercise of professional scepticism.

Specific Questions

4. Is the scope and applicability of ED-600 clear? In that regard, do you support the definition of group financial statements, including the linkage to a consolidation process? If you do not support the proposed scope and applicability of ED-600, what alternative(s) would you suggest (please describe why you believe such alternative(s) would be more appropriate and practicable).

We consider that the scope and applicability of ED-600 is clear, and we support the definition of group financial statements.

5. Do you believe the proposed standard is scalable to groups of different sizes and complexities, recognizing that group financial statements, as defined in ED-600, include the financial information of more than one entity or business unit? If not, what suggestions do you have for improving the scalability of the standard?

17 Harcourt Street, Dublin 2, D02 W963 +353 (0) 1 425 1000 cpa@cpaireland.ie cpaireland.ie



We believe that in the main scalability has been achieved.

6. Do you support the revised definition of a component to focus on the ‘auditor view’ of the entities and business units comprising the group for purposes of planning and performing the group audit?

We support the revised definition of a component.

7. With respect to the acceptance and continuance of group audit engagements, do you support the enhancements to the requirements and application material and, in particular, whether ED-600 appropriately addresses restrictions on access to information and people and ways in which the group engagement team can overcome such restrictions?

No issues identified in this area.

8. Will the risk-based approach result in an appropriate assessment of the risks of material misstatement of the group financial statements and the design and performance of appropriate responses to those assessed risks? In particular, the IAASB is interested in views about:

We would welcome more involvement by the component auditor in the assessment of risks. There may be benefits to be gained for more involvement in risk assessment by the component auditor, which ultimately should improve audit quality.

9. Do you support the additional application material on the commonality of controls and centralized activities, and is this application material clear and appropriate?

Yes, we support this and the application material is appropriately clear.

10. Do you support the focus in ED-600 on component performance materiality, including the additional application material that has been included on aggregation risk and factors to consider in determining component performance materiality?

We consider this to be appropriate. Further guidance on this area in time would be welcome.

11. Do you support the enhanced requirements and application material on documentation, including the linkage to the requirements of ISA 230?

Yes, we support the enhanced requirements and application material.

12. Are there any other matters you would like to raise in relation to ED-600?

We have not identified any further matters for comment.

Request for General Comments

13. The IAASB is also seeking comments on the matters set out below:

(a) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-600.

17 Harcourt Street, Dublin 2, D02 W963 +353 (0) 1 425 1000 cpa@cpaireland.ie cpaireland.ie



No comment

(b) Effective Date—Recognizing that ED-600 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of a final ISA. Earlier application would be permitted and encouraged.

Given the substantial changes that will be required to the audit methodologies of firms and the current impact of the COVID-19 Pandemic on the work practices of firms, we would respectfully request a longer implementation period. We believe that a time period of 24 months after the approval of the final ISA to be more appropriate.

If you have any queries on any aspect of our response, please do not hesitate to contact us.

Yours sincerely,

A handwritten signature in black ink that reads 'Emer Kelly'.

Emer Kelly
Secretary – Audit Practices Sub Committee

Mr. Kevin Prendergast
Chief Executive Officer
Irish Auditing and Accounting Supervisory Authority
Willow House
Millennium Park
Naas
Co Kildare

9 December 2022

Dear Mr Prendergast

Proposal to revise ISA (Ireland) 600.

We are pleased to respond to your consultation paper with regard to the proposal to revise International Standard on Auditing (ISA) (Ireland) 600: Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors) and make related conforming amendments to other standards (ISA (Ireland) 600).

We note that the proposed standard is based on ISA (UK) 600, which in turn is based on the corresponding standard issued by the IAASB with amendments limited, in line with IAASA policy, to where there is a conflict with Irish or EU law or where there are distinct differences between the Irish and UK markets which impact on the standard's applicability in Ireland.

We are supportive of the proposal to adopt the new standard.

We have responded to the specific questions set out in the consultation in the attached and have highlighted some specific points where we believe that additional guidance would be helpful.

Yours sincerely

Ernst & Young

Q1. Do you agree that it is in the public interest that IAASA revises ISA (Ireland) 600?

If not, please give your reasons and describe any alternatives that you wish IAASA to consider.

We confirm that we agree that it is in the public interest that IAASA revises ISA (Ireland) 600.

Q2. 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:

- i. identify the relevant legal provision(s);
- ii. give reasons for your view; and
- iii. describe how you believe these matters should be addressed in ISA (Ireland) 600.

We confirm that we are not aware of any provisions in the proposed standard that conflict with Irish or EU law.

In relation to paragraph 14, we note that ISA (UK) 600 includes a diagram, which is not included in the proposed revised ISA (Ireland) 600. However, as this diagram is referred to in a footnote, this may be a publishing error. We believe this diagram should be included.

In relation to the requirement in paragraph 16-1 for the group engagement partner's firm to bear responsibility for the design, implementation and operation of a system of quality management, we believe that additional guidance should be included on how to apply this to non-network firms.

Q3. 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:

- i. give your reasons;
- ii. identify the market sectors, entities etc. in Ireland impacted by the proposed standard; and
- iii. describe how you believe these matters should be addressed in ISA (Ireland) 600

We confirm that we have not identified any areas in this consultation paper where there are distinct differences between the Irish and UK markets which impact on the applicability of the proposed standard in Ireland.

Q4. 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.

We believe the proposed effective date is appropriate.

8 December 2022

Tel: +353 (1) 417 2200
Fax: +353 (1) 417 2300
Deloitte.ie

Mr. Kevin Prendergast
Irish Auditing & Accounting Supervisory Authority
Willow House
Millennium Park
Naas
Co. Kildare

submissions@iaasa.ie

**Proposal to revise ISA(Ireland) 600 Special Considerations - Audits of Group Financial Statements
(including the work of component auditors) ("IAASA") 600"**

Dear Mr. Prendergast

Deloitte Ireland LLP ("Deloitte", "we") is pleased to provide comments and observations on the Irish Auditing and Accounting Supervisory Authority ("IAASA") consultation paper as titled above.

We have set out below our responses to the specific matters on which views are sought. In addition, in **Appendix I**, we have included some additional observations we had, upon review of the revisions, primarily areas where additional guidance from IAASA would be welcomed.

We have also contributed to the submission made by our professional body, Chartered Accountants Ireland on this consultation.

1. Do you agree that it is in the public interest that IAASA revises ISA (Ireland) 600? If not, please give your reasons and describe any alternatives that you wish IAASA to consider.

Yes, we are supportive of the revisions made to ISA(Ireland) 600. We believe that the revisions made are in the public interest and will ultimately contribute to improving Audit Quality. We note in the consultation paper that IAASA's policy continues to be, to adopt UK standards, and that amendments are only considered where there is a conflict with Irish or EU law or where there are distinct differences between the Irish and UK markets which impact on a standard's applicability in Ireland. In this standard revision, we support the strong alignment to the international standard, and do agree that the proposed additional material (added by the Financial Reporting Council ("FRC") to the UK standard) is appropriate for adoption in Ireland. However, we would like to emphasise that by continuing to follow the UK standards and approach, there is an increasing risk of divergence from EU law, particularly given the current uncertainty in the UK audit market.



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

We have not identified any provisions in the proposed ISA (Ireland) 600 that conflict with Irish or EU law, however we believe that further guidance is necessary in respect to paragraph 16-1 of this revised standard. We believe that without clarity, there is a risk of misinterpretation upon implementation, and this could lead to group engagement partners spreading their reviews over too many entities rather than focusing on the ones that really matter from a risk perspective.

In addition, paragraph 16-1 requires the group engagement partner's firm to *"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"*, guidance on how this would apply when dealing with a non-network firm would be helpful.

In paragraph 14(h), the FRC had included a diagram to clarify the relationship between the engagement team, group auditor and component auditor. We believe there may have been an error in this published version of the proposed standard, as there is a related footnote and blank white space for where the diagram would be included. We would support the inclusion of this diagram in this ISA(Ireland) as it is a helpful reminder for audit practitioners.

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

No, we are not aware of any distinct differences in this context and agree that the additional material included is appropriate for use in Ireland. However, we would again like to raise concern over the interpretation of paragraph 16-1 of the revised standard (as noted in Question 2 above). We suspect that this requirement could become particularly difficult in a UK context (to which these Irish additions have been aligned) in terms of how this would interact with the concept of managed shared audits which are planned in the UK. Further guidance on interpretation of this requirement would be welcomed, with a particular focus on how this would work in the context of the Irish audit market.

We would also refer to our views noted in Question 1 of this response, in terms of the future direction of the Irish auditing framework.

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.

Yes, we are in agreement with the proposed effective date for this ISA (Ireland). We believe that the requests for additional guidance as highlighted in our responses above and within **Appendix I** would help with the smooth implementation of this standard and assist better understanding for an audit practitioner.



Thank you for your consideration of the points outlined in this letter. If you have any further questions or would like to discuss this matter further, please contact Eimear McCarthy at 01 417 2685 or by email at emccarthy@deloitte.ie.

Yours sincerely

A handwritten signature in black ink that reads "Eimear Mc Carthy". The signature is written in a cursive, flowing style.

Eimear McCarthy
Partner
For and on behalf of
Deloitte Ireland LLP

APPENDIX I- ADDITIONAL COMMENTARY

1. Component auditor involvement

The soon-to-be extant version of ISA(Ireland) 600 and now the revised version, predominantly focuses on the responsibilities of the group auditor and group engagement team. There is limited guidance within this ISA on the roles and responsibilities of a component auditor. Component auditors can be, and often are, involved in all aspects of a group audit engagement, including initial group risk assessment. We believe that additional guidance in this regard would be a helpful addition and would contribute to enhancing audit quality on group audit engagements.

We understand that some changes may need to start initially at the international level but acknowledge that IAASA have an important role in contributing to the IAASB agenda so would encourage that this point is considered in these future discussions.

2. Group audit scoping

As the concept of a "significant" component based on a quantitative assessment is now removed, further guidance on the range of qualitative factors that an auditor should consider in performing the group audit scoping exercise and overall risk assessment would be welcomed. We note the reference to ISA (Ireland) 315 (Revised) in the proposed standard but believe ISA (Ireland) 600 should have its own standalone qualitative risk assessment criteria.

3. ISA(Ireland) 315 (Revised)

Given the significant revisions that have been made to the audit risk assessment standard, we believe additional guidance is needed on application of some of the revisions in a group audit context. Guidance would be very welcome on aspects like the 'Stand back requirement' and on determination and communication of 'Material but not Significant ABCOTD's 'in a group audit scenario.



KPMG
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

Telephone +353 1 410 1000
Fax +353 1 412 1122
Internet www.kpmg.ie

Private and confidential

Irish Auditing & Accounting Supervisory Authority
Willow House
Millennium Park
Naas
Co. Kildare

Our ref AQ&PP/DOD/LH

By email to: submissions@iaasa.ie

5 December 2022

Dear Sir or Madam

IAASA Consultation: Proposal to revise ISA (Ireland) 600: Audits of Group Financial Statements (including the work of component auditors) ("ISA (Ireland) 600 Revised")

KPMG welcomes the opportunity to comment on the Irish Auditing & Accounting Supervisory Authority's (IAASA) proposal to revise ISA (Ireland) 600: Audits of Group Financial Statements (including the work of component auditors).

We are supportive of IAASA's proposal to revise ISA (Ireland) 600 to align with the recent changes to the corresponding international standard and the UK standard. We strongly believe that the alignment of ISA (Ireland) 600, to the extent possible, to ISA International 600 supports audit quality.

Our responses to the consultation questions raised are set out in Appendix 1. In addition, we have included drafting considerations in Appendix 2.

We hope you find our comments useful. Please contact me if you have any questions on this response or require any further information.

Yours faithfully

Daniel O'Donovan
Principal, Department of Professional Practice

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Appendix 1 - Our responses to the exposure draft questions

Q1 Do you agree that it is in the public interest that IAASA revises ISA (Ireland) 600?

If not, please give your reasons and describe any alternatives that you wish IAASA to consider.

We agree that it is appropriate for IAASA to revise ISA (Ireland) 600. We strongly believe that the alignment of ISA (Ireland) 600, to the extent possible, to ISA International 600 supports audit quality.

Q2 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***

We do not believe there to be any notable provisions in the proposed standard that conflict with Irish or EU law which would impact the applicability of this standard.

Whilst we agree with IAASA's policy to make minimal amendments to the UK standards, we consider that certain amendments proposed in revised ISA (Ireland) 600 would benefit from further clarification, in particular in relation to Paragraphs 14(h)(iv) and 16-1 as detailed below.

Paragraph 14(h)(iv)

The proposed wording in paragraph 14(h)(iv) states that "The group auditor is responsible for: ...Determining, through review of audit documentation and discussion with the engagement team, that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report on the group financial statements to be issued."

Paragraph A21 clarifies that the "engagement team" includes the group auditor and component auditors, and that component auditors may be from a network firm, a firm that is not a network firm, or the group auditor's firm (e.g., another office within the group auditor's firm).

We believe that Paragraph 14(h)(iv) would benefit from additional application and explanatory material, to provide clarity in relation to the extent of discussion with the engagement team that is required and whether the intention of the standard is that discussion with all members of the engagement team is required by the group auditor (i.e. is the group auditor required to discuss whether sufficient appropriate audit evidence has been obtained with all component auditors?) to meet the requirements of the standard. Without this clarification, there is a risk that the requirement will not be consistently applied in practice, that the group auditor in responding to this requirement may focus on having discussions with all component auditors rather than on having discussions with those component auditors for which the component is significant to the audit of the group financial statements, and therefore the objective of increasing the quality of the audit response to risks in an audit of group financial statements may not be achieved.

We believe the standard should clarify that the group auditor is required to have discussion with the component auditors in a group audit to the extent necessary commensurate with the risk present in a component.

Paragraph 16-1

The proposed wording in paragraph 16-1 states "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, including those requirements related to engagement performance and for ensuring that the auditor's report issued is appropriate in the circumstances. 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."

We believe that Paragraph 16-1 requires additional application and other explanatory material to clarify how paragraph 16-1 should be interpreted and how to achieve the requirement in the standard.

As it is currently written, it is not clear how to interpret paragraph 16-1 in light of paragraph 11 of the standard, as such paragraph 16-1 could be interpreted that it requires the group engagement partner to review all of the work performed by all of the components, which is impracticable and could prove detrimental to audit quality. We believe the draft standard in paragraph 16-1 should use terminology consistent with paragraph 11 i.e. "In Ireland, the group engagement partner shall take overall responsibility...".

In relation to the requirement for the group engagement partner's firm to 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, additional clarification would be beneficial to clarify the requirement of the standard in this regard and how this may be complied with for components auditors from both network and non-network firms.

Q3 *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*

We do not believe the distinct differences between the Irish and UK markets impact the applicability of this standard in Ireland.

Q4 *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.

We agree with the proposed effective date for a revised ISA (Ireland) 600. We think it is appropriate to align the effective date of ISA (Ireland) 600 with the corresponding international standard and ISA (UK) 600. We believe that the proposed effective date is practicable given the nature of the revisions.

Appendix 2 – Drafting considerations

We have set out below minor comments:

1. The footnote to Paragraph 14 (h) refers to a diagram, which has been included in the ISA (UK) 600 standard, however, the diagram is not included in the ISA (Ireland) 600 Exposure Draft.



Mr Kevin Prendergast
Chief Executive
Irish Auditing & Accounting Supervisory Authority
Willow House
Millennium Business Park
Naas
Co. Kildare

9 December 2022

Consultation Paper – Proposal to revise ISA (Ireland) 600 Special Considerations - Audits of Group Financial Statements (including the Work of Component Auditors)

Dear Kevin

We welcome the opportunity to respond to the above consultation. We have set out below our responses to questions 1- 4 as set out in the consultation paper.

Question 1

We agree that it is in the public interest to revise ISA (Ireland) 600.

Question 2

In our view, there are no provisions in the proposed standard that conflict with Irish or EU law.

Question 3

In our view there are no areas where there are distinct differences between Irish and UK markets that would impact on the applicability of the revised standard.

Question 4

We consider that the effective date is appropriate

PricewaterhouseCoopers, One Spencer Dock, North Wall Quay, Dublin 1 Ireland
T: +353 (0) 1 792 6000, F: +353 (0) 1 792 6200, www.pwc.ie

Feargal O'Rourke (Managing Partner - PricewaterhouseCoopers Ireland)

Olwyn Alexander Paul Barrie Brian Bergin Fidelma Boyce Donal Boyle Damian Byrne John Casey Mary Cleary Siobhán Collier Thérèse Cregg John Daly Richard Day
Fiona de Búrca John Dillon Darrelle Dolan Ronan Doyle John Dunne FCCA Kevin Egan Laura Flood Marie-Louise Gallagher Fiona Gaskin Alisa Hayden FCCA Olivia Hayden
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Yours sincerely

A handwritten signature in blue ink that reads 'Paul W O'Connor'.

Paul W O'Connor

Partner

Email: paul.w.oconnor@pwc.com

[Tel:](tel:0868068492) 086 806 8492



**Irish Auditing & Accounting
Supervisory Authority**

Willow House
Millennium Park
Naas, Co. Kildare
W91 C6KT
Ireland

Phone: +353 (0) 45 983 600
Email: info@iaasa.ie

www.iaasa.ie