



PROPOSED ISA (UK) 600 (REVISED) INVITATION TO COMMENT AND IMPACT ASSESSMENT

Issued 7 July 2022

ICAEW welcomes the opportunity to comment on the Proposed ISA (UK) 600 (Revised) Invitation to Comment and Impact Assessment published by the FRC on 8 April 2022, a copy of which is available from this [link](#).

For questions on this response please contact our Audit and Assurance Faculty at tdaf@icaew.com quoting REP 55/22.

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ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK
icaew.com

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Registered office: Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

KEY POINTS

OVERALL OBSERVATIONS

1. We are supportive of the proposed revisions to ISA (UK) 600 to reflect the changes made to the underlying international standard and to align the effective date. This should help to ensure that there is consistency in approach to the audit of groups internationally which is particularly important given that many groups have operations across jurisdictions.

APPLICATION OF PARAGRAPH 16-1

2. The wording of paragraph 16-1 in relation to the group engagement partner's overall responsibility for compliance with the ISAs relevant to the audit raises questions in relation to how it is to be interpreted and applied. We believe that, without further clarification material, it might lead to expectation gaps in relation to what is expected of group engagement partners. For example, our outreach suggests that it could lead group engagement partners to believe that they need to review every working paper, even in areas deemed to be low risk. However, such an approach would appear to be contrary to the risk-based approach intended in the standard and, in any event, would not be practically achievable within the timeframes of a group audit. We would welcome further application material from the FRC to provide greater clarity in relation to this.

ALIGNMENT WITH THE ETHICAL STANDARD

3. We understand that the FRC plans to review the Ethical Standard later this year. As part of this review, we strongly encourage the FRC to align the definitions in the Ethical Standard with those in IESBA's International Code of Ethics for Professional Accountants (the Code). This would include aligning the Ethical Standard with the proposed forthcoming changes to the Code that address independence on group audits and respond to revisions to the international standards, ISA 600 and ISA 220, and the new definitions of 'group' and 'engagement team' within these standards.

ANSWERS TO SPECIFIC QUESTIONS

Question 1: Do you agree that ISA (UK) 600 should be revised in order to adopt the revisions made to the underlying international standard? If not, please provide your reasons.

4. Yes, we agree that ISA (UK) 600 should be revised to bring it in line with the international standard. This is important for enabling a consistent approach to the audit of groups and is particularly relevant given that there are many groups operating across different jurisdictions.

Question 2: If you agree that ISA (UK) 600 should be revised to adopt the revisions to the underlying international standard, do you agree that the proposed UK supplementary material is appropriate? If not, please give your reasons and explain what further additions should be made.

5. We have some concerns about the proposed UK supplementary material.
6. We are not convinced of the need for the diagram in Paragraph 14(h), given that 14(c) already provides clarity that a component auditor is part of the engagement team for a group audit. There also appear to be some drafting errors with the supplementary material and unclear linkages to application material. For example, the additions in paragraph 25 (b) do not quite make sense, paragraph 25 (1) is not currently written as a requirement and

paragraph 29-1 currently links to A176-179 but this does not address the specific requirement.

7. While in principle, it is difficult to object to the requirement in paragraph 16-1 in relation to the group engagement partner's overall responsibility for compliance with the ISAs relevant to the audit, we are concerned about how such a requirement will be interpreted and applied. We believe that, without further clarification material, it might lead to expectation gaps in relation to what is expected of group engagement partners. For example, our outreach suggests that it may lead group engagement partners to believe that they are expected to review every working paper, even in areas deemed to be low risk. However, such an approach would appear to be contrary to the risk-based approach to group audits that is intended by the standard and, in any event, would not be practically achievable within the timeframes of a group audit. We would welcome further application material from the FRC to provide greater clarity in relation to this.

Question 3: Is the proposed effective date, which is consistent with the effective date of the IAASB's revised ISA, appropriate? If not, please give reasons and indicate the effective date that you would consider appropriate.

8. We agree that the proposed effective date should be consistent with that of the international standard. We would encourage the FRC to finalise the UK standard as soon as possible after the consultation period has closed to provide audit methodology providers sufficient time to update their methodologies. Any delay will have a particular impact on smaller audit firms who are more likely to be reliant on the use of off the shelf audit tool packages and methodologies.