

BASIS FOR CONCLUSIONS CANADIAN AUDITING STANDARD (CAS) 600, Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)

August 2022

This Basis for Conclusions has been prepared by staff of the Auditing and Assurance Standards Board (AASB). It relates to, but does not form part of, Canadian Auditing Standard [\(CAS\) 600](#), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*.

Purpose of this Basis for Conclusions

This Basis for Conclusions has been prepared to make Canadian stakeholders aware of the following:

- (a) A Basis for Conclusions prepared by International Auditing and Assurance Standards Board (IAASB) staff for International Standard on Auditing (ISA) 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, and related conforming amendments to other international standards is available on the IAASB website. It provides information on how the IAASB dealt with comments received in response to its Exposure Draft, "Proposed International Standard on Auditing 600 (Revised) Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)" (ED-ISA 600), issued in 2020.
- (b) Information on how the AASB dealt with significant matters arising from comments received in response to its Exposure Draft, "Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)" (ED-CAS 600), is set out below.

Background

In April 2020, the IAASB issued its ED-ISA 600. At its meeting in December 2021, the IAASB approved its final ISA 600 (Revised), and related conforming amendments to other international standards. This approval was subject to the Public Interest Oversight Board's (PIOB) confirmation that the IAASB followed due process. In April 2022, the IAASB received this confirmation.

In May 2020, the AASB issued its ED-CAS 600. The Board proposed to adopt, subject to comments received on exposure, ISA 600 (Revised) and related conforming amendments to other ISAs as:

- [CAS 600](#), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*; and
- related conforming amendments to other CASs.

In total, the AASB received two comment letters on ED-CAS 600.

During the ED-CAS 600 comment period and prior to finalization of the standard, the AASB held several consultation sessions with various stakeholder groups seeking input on the proposed revisions to [CAS 600](#). The Board held webinars, in both official languages, that summarized the main proposals in ED-CAS 600. The Board also sought practitioners to field test the standard on a retrospective basis against a completed file. The input received from these activities informed the Board's response letter to the IAASB and led the Board to consider whether any Canadian amendments were needed.

At its March 2022 meeting, the AASB discussed the final issues related to [CAS 600](#) and the conforming amendments. The Board unanimously approved CAS 600, subject to the PIOB's confirmation of due process for the IAASB's ISA 600 (Revised). As noted above, the PIOB confirmation was received in April 2022. The Auditing and Assurance Standards Oversight Council confirmed that the AASB followed due process in the development of this CAS prior to its issuance in the CPA Canada Handbook – Assurance.

Public Interest Considerations

The key public interest considerations of this project were:

- keeping the standard fit for purpose;
- encouraging proactive management of quality at the engagement level;

- fostering an appropriately independent and challenging skeptical mindset of the auditor; and
- reinforcing the need for robust communication and interactions during the audit.

Significant Matters

AASB's Consideration of Amendments to ISA 600 (Revised)

References to the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (Including International Independence Standards) (IESBA Code)

1. The AASB did not propose any Canadian amendments in ED-CAS 600 other than to replace references to the IESBA Code in ISA 600 (Revised) with relevant ethical requirements applicable in Canada. No other situations were identified that met the Canadian amendment criteria as stated in [Appendix 1](#) to the Preface to the CPA Canada Handbook – Assurance.
2. The AASB reviewed the changes made from the ED-CAS 600 to the final standard and concluded the only Canadian amendment required was to revise the references to ethical requirements in the sample Auditor's Report in [Appendix 1](#). [CAS 600](#) contains no other amendments to the ISA wording.

AASB's Re-exposure Consideration

3. In approving [CAS 600](#), no other Canadian amendments were identified from ED-CAS 600. Therefore, re-exposure is not necessary.

Other Matters

Concerns over Using Audit Evidence from an Audit Conducted for Another Purpose

4. During the AASB's consultations on ED-ISA 600, several stakeholders and respondents raised concerns with the requirement in paragraph 42 of the Exposure Draft, related to using audit evidence from an audit conducted for another purpose. The concerns, including those from stakeholders, as well as the Board, were raised in the AASB's response letter to ED-ISA 600. Clarity was requested regarding:
 - when it may be appropriate to use audit evidence from an audit performed for another purpose, particularly statutory audits;
 - how the group auditor may be involved in the work of the other auditor when audit evidence from an audit conducted for another purpose is to be used for the group audit;
 - whether the standard only contemplates use of audit evidence from other audits completed concurrent to the group audit, or whether audit evidence from an audit that has been completed already would also be acceptable; and
 - how the group auditor evaluates the audit procedures performed in the other audit, for purposes of the group audit.
5. The IAASB considered these matters and, as discussed in its Basis for Conclusions for ISA 600 (Revised), removed paragraph 42 when finalizing ISA 600 (Revised). In its place, the IAASB added application material to explain that:
 - when audit procedures are performed by a component auditor for an audit of the financial statements of a component for statutory, regulatory or other reasons, the group auditor may be able to use that audit work, provided the group auditor is satisfied that such work is appropriate for purposes of the group audit; and
 - in any event, the requirements of the standard apply, including those relating to the direction and supervision of component auditors and the review of their work. Further application material provides examples of different ways in which the group engagement partner may take responsibility for directing, supervising and reviewing the work of component auditors. These examples could also be applied to circumstances when the group auditor plans to use the audit work from an audit of component financial statements that has already been completed.
6. The AASB believes ISA 600 (Revised) addresses the key concerns Canadian stakeholders raised and provides the group auditor with flexibility to adapt the standard as necessary for the engagement circumstances.

Clarification on the Applicability of CAS 600 to Financial Information of Pension Plans that Are Included in the Financial Statements of a Public Sector Entity
7. In finalizing [CAS 600](#), the AASB received feedback from public sector practitioners requesting clarity on whether financial information of pension plans that are included in the financial statements of a public sector entity, such as a province's public accounts, would be considered a component under CAS 600. They asked the Board to consider making an amendment to CAS 600 to provide better clarity on this issue.
8. The AASB deliberated this request and noted:
 - [CAS 600](#) uses the "consolidation process" to determine whether the financial statements of an entity are group financial statements. The term "consolidation process", as used in CAS 600, is not intended to have the same meaning as "consolidation" or "consolidated financial statements" as defined or described in financial reporting frameworks. Rather, the term "consolidation process" refers more broadly to the process used to prepare group financial statements.

- When financial information related to a pension plan is included in the financial statements of a public sector entity, regardless of whether the financial information is included through a consolidation process, aggregation or other means, the pension plan is part of the group financial statements. As such, the group auditor may determine the pension plan to be a component for purposes of the group audit.

9. Given [CAS 600](#), as noted above, provides flexibility to allow the group auditor to consider the pension plan as a component, the AASB concluded that a Canadian amendment was not necessary.

List of Written Response Letters

- BDO Canada LLP
- MNP LLP

Summary of Participants in Webinar

	English	French
Registered	62	28
Participated "live"	54	24
Viewed archive video of webinar	45	12

Summary of Participants in Consultations

Number of Participants

	Format of Virtual Session	Large firms	SMPs	Public sector	Regulators	Management of a group entity	Provincial institute	TOTAL
1	Roundtable 1 – open registration	2	1					3
2	Roundtable 2 – open registration	2		1		1		4
3	Roundtable 3 – open registration	4		1				5
4	Targeted consultation 1 – CPA Québec working group on assurance and reporting	2	8	2			2	14
5	Targeted consultation 2 – regulator				3			3
6	Targeted consultation 3 – regulator				2			2

7	Field-testing workshop 1	5						5
8	Field-testing workshop 2	5		6				11
9	Consultation with public sector practitioners			15				15
	TOTAL	20	9	25	5	1	2	62

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