

Revisions to audits of group financial statements – ISA (NZ) 600 (Revised)

Q & A

Is there international guidance on the revised standard?

IAASB Fact Sheet and Basis for Conclusions: [Audits of Group Financial Statements](#)

Why was the standard revised?

The revisions keep the standard fit for purpose in a wide range of circumstances and in a developing environment while strengthening the auditor’s responsibilities related to planning and performing a group audit. For example, the revisions clarify the scope of the standard, including whether it applies to shared service centres, non-controlled entities and entities with branches or divisions and clarify how to address restrictions on access to people and information in a group audit. The revisions focus on proactive quality management, robust two-way communication between the group auditor and component auditors, documentation, and professional scepticism.

When is the new standard applicable?

For periods beginning on or after 15 December 2023.

What is the scope of the standard?

The standard refers to the existence of a ‘consolidation process’ when defining group financial statements. In addition to group financial statements prepared under an applicable accounting framework, the definition captures combined financial statements of entities or business units under common control and aggregated financial information of entities or business units (e.g., branches or divisions).

Who is responsible for the group audit?

The group engagement partner has ultimate responsibility for compliance with the standard. For some requirements, the group engagement partner or group auditor can assign the design or performance of procedures, or tasks to other appropriately skilled or experienced members of the engagement team, including component auditors. The standard has enhanced responsibilities for the direction, supervision, and review of the work of component auditors.

Has the definition of a component changed?

Yes. For example, a shared service centre may be a component when such centralised activities are relevant to a group’s financial reporting process.



Has the concept of 'significant components' been retained?

No. The determination of components at which to perform audit work is a matter of professional judgement. The standard highlights matters that may influence the group auditor's determination at which components to perform the audit work. For example, the disaggregation of significant classes of transactions.

How does the standard strengthen communication?

The standard clarifies and enhances the importance of two-way communication between the group auditor and component auditors. It includes various aspects of the group auditor's interaction and communication with component auditors. For example, communicating relevant ethical requirements and determining competence and capabilities of the component auditor.

What about documentation in a group audit?

The standard has expanded documentation requirements. For example, documentation of how significant matters related to restrictions on access to people or information within the group were addressed and how the group auditor has determined components when planning and performing the group audit.

What are the changes to materiality for group audits?

The standard focuses on component performance materiality (previously component materiality) for planning and performing audit procedures on component financial information. There is a new definition of aggregation risk.

What about professional scepticism?

The exercise of professional scepticism by the group auditor includes remaining alert for inconsistent information from component auditors, component management and group management about matters that may be significant to the group financial statements. The group auditor's direction and supervision of engagement team members, including component auditors, and the review of their work, helps the group auditor assess whether the engagement team has appropriately exercised professional scepticism.

Does the standard have linkages with other standards?

Yes, the standard has linkages with several standards. For example, revised standards relating to quality management, assessing the risk of material misstatement and forming an opinion and reporting on financial statements.

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✉ assurance@xrb.govt.nz

🌐 xrb.govt.nz

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