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May 16, 2016

Ms. Kathleen Healy
Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 6th Floor
New York, NY 10017

Dear Ms. Healy,

Deloitte Touche Tohmatsu Limited (DTTL) appreciates the opportunity to provide observations and perspectives on the Invitation to Comment, *Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control, and Group Audits* (the ITC) as developed by the International Auditing and Assurance Standards Board (IAASB or the Board).

EXECUTIVE SUMMARY

DTTL welcomes the IAASB's initiative in addressing a number of matters relating to professional skepticism, quality control, and group audits. DTTL supports exploring enhancements in all of these areas, and, in particular, commends the Board for taking on efforts to address concerns with respect to group audits. As discussed in the letter submitted to you on April 7, 2014, the application of ISA 600 *Special Considerations- Audits of Group Financial Statements (Including the Work of Component Auditors)* is an area where changes are likely to have significant potential for improving audit quality. Overall, DTTL believes the collective comments received as a result of the ITC will provide meaningful input regarding the IAASB's standards and, as the IAASB makes changes to its standards, will ultimately help drive enhancements that will assist auditors in achieving higher quality audits. DTTL also encourages the IAASB to continue to monitor and, where appropriate and to the extent possible, collaborate with other standard setters, such as the PCAOB, which also has current projects related to quality control and use of other auditors on their agenda.

DTTL agrees the focus on audit quality is of critical importance to the capital markets, regulators, and every stakeholder that demands confidence in the audit process. DTTL has taken and continues to take steps to enhance policies and processes to further contribute to audit quality and its consistency. As discussed in the IAASB's *A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality* (the Framework)*,* and DTTL agrees, the responsibility for the performance of quality audits ultimately rests with auditors. However, as also acknowledged in the Framework, audit quality is best achieved in an environment where there is support from all stakeholders in the quality of financial reporting, including standard setters. The comments included herein are provided within this context, DTTL experiences to date, and the collective goal of consistently achieving quality audits.

With respect to the issues and challenges discussed within the ITC, DTTL believes that as the IAASB contemplates next steps and potential changes to its standards, it will be important to strike an appropriate balance between principle-based requirements in the standards and non-authoritative

guidance and communications. Given the breadth of capital markets and jurisdictions which utilize the ISAs, DTTL believes that it is and will continue to be difficult to apply prescriptive requirements which may (or may not) be relevant and/or achievable in all cases. The environments in which audits are performed continue to evolve and become increasingly complex making it less likely that prescriptive requirements will be successful in addressing all circumstances and fact patterns that may arise. DTTL believes principle-based requirements and application material are effective in guiding auditors. However, DTTL also believes there is an increasing need for more guidance. Recognizing that the issuance of non-authoritative guidance is a complex matter for the IAASB, DTTL nevertheless recommends the Board explore ways to provide more implementation guidance that shows "what it looks like" to apply the principle-based requirements and application material. For instance, it may be beneficial to consider providing examples and best practices through application material or practice alerts where appropriate. Such an approach may be a better method for educating practitioners, fostering quality, and achieving the objectives of improving performance in these areas.

DTTL supports the IAASBs efforts to strengthen its standards to continue to facilitate the performance of higher quality audits and meet its public interest responsibility. DTTL's detailed comments on select questions in the ITC are included in the Appendix and summarized below.

Professional Skepticism

Professional skepticism is critical to the performance of quality audits. While DTTL believes there has, in recent years, been advancement with respect to the application of professional skepticism and in the related audit documentation that evidences such application, DTTL is also cognizant that inspection results across the profession have indicated a recurring theme of instances when auditors did not appropriately apply professional skepticism and/or appropriately document the application of professional skepticism. DTTL is of the view that revisions to the standards alone will likely not achieve the objective of improving auditor performance in this area. In response to the calls to action as a result of such inspection themes, DTTL provides the following comments:

- DTTL believes that the definition of professional skepticism as set forth in paragraph 13(I) of ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards of Auditing* in combination with other related guidance appropriately establishes an overarching concept of professional skepticism that is understandable for both auditors and other stakeholders. However, it would also be beneficial for examples to be provided regarding how professional skepticism may be applied and demonstrated in specific judgmental areas. Such examples could be provided:
  - Through a staff audit practice alert or other similar practice aid which can expand on the characteristics and leading practices in the application of professional skepticism and build on the material provided in the IAASB's Staff Questions and Answers on this topic.[1]
  - As an adjunct to the standards revision process. Specifically, as standards are revised, it would be helpful for additional emphasis, guidance and examples to be incorporated. In this regard, DTTL would, for example, recommend including such enhancements with respect to its project on ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures.* DTTL believes

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[1] IAASB Staff Questions and Answers, *Professional Skepticism in an Audit of Financial Statements* (February 2012).

making such enhancements at the same time as other revisions are made to a given standard would be more pragmatic than a pervasive update of all auditing standards at once to include references to professional skepticism. To facilitate the incorporation of professional skepticism in this more practical in-depth way into the standards, the IAASB may consider developing a framework for doing so. Such a framework would help with consistency and could, for example, include a focus on emphasizing those areas where there is likely to be more complexity or subjectivity such that the related professional judgments will be more complex and the appropriate exercise of professional skepticism will likely be more challenging. This framework could then be applied as the standards are revised.

- Furthermore, DTTL recommends that the IAASB continue to engage with audit regulators and oversight bodies to better understand root causes of inspection findings related to professional skepticism (which are often very specific rather than generalized findings). The IAASB may then consider how any lessons learned could be incorporated into the content of its standards and any accompanying guidance or implementation resources. As the root causes likely extend beyond matters related to auditing standards and related guidance, DTTL is supportive of the approach to this project which includes a working group of representatives of the IAASB, the International Ethics Standards Board for Accountants (IESBA), and the International Accounting Education Standards Board (IAESB).

Quality Control

The performance of audits, as well as the regulatory landscape within which firms are structured and operate has changed considerably since the issuance of the clarified ISA 220, *Quality Control for an Audit of Financial Statements* and ISQC 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* in December, 2009. At the same time, local laws and regulations, as well as local inspection regimes have expanded and become more complex. As a result, DTTL agrees that a number of the topics addressed by ISA 220 and ISQC 1 need to be revisited. As these quality control issues are considered, DTTL commends the IAASB for recognizing the diverse challenges that exist due to the myriad of network and firm structures, as well as the existence of local laws and regulations with respect to quality control. With this complexity and diversity as a backdrop, DTTL would like to provide the following observations and recommendations:

- As modifications to the quality control standards are considered, DTTL encourages the IAASB to maintain its use of principle-based objectives. In this respect, DTTL is supportive of the Quality Management Approach as set forth by the ITC - an approach which is grounded in principles which DTTL believes would provide auditors with a framework to bolster quality control. Global networks may be organized using varying firm structures (which are often influenced by unique local laws and regulations), and, as such, the optimal quality control processes within a network are likely only describable in the standards through broad principle based objectives rather than prescriptive rules.
- Because of diverse firm and network structures, DTTL believes that it would be extremely difficult to develop a consistent structure and related requirements within the standards, and that it would be even more difficult for networks to execute against them. DTTL believes it is, however, appropriate for the IAASB to focus on strengthening requirements relating to

reliance on network level processes and controls at the firm or engagement level (i.e., considering what it takes to have a basis for such reliance). DTTL notes that increasingly group audits will involve component auditors from other networks or that are not part of networks due to new auditor rotation requirements in some jurisdictions, making this area even more challenging. Focusing on the ability of firms to rely on network processes and controls at the firm or engagement level will, therefore, also be helpful in this regard.

- With respect to Engagement Quality Control reviews (EQC reviews), DTTL believes the requirement should be expanded beyond the current scope (which is listed entities) such that they should also be required for all public interest entities (PIE) (i.e., audits of those entities that meet the definition of a PIE established by local jurisdictions). Furthermore, given the EQC reviewer's status as an element of a firm's system of quality control (and, therefore, the EQC reviewer's unique status with regard to the engagement reviewed), DTTL believes that a definitive, stand-alone standard may be warranted in order to clearly communicate the objective of the EQC review and the roles and responsibilities of EQC reviewers. To avoid confusion in relation to the expectations of an EQC review, it is important, however, to clearly consider and balance the EQC reviewer responsibilities relative to those of the engagement partner who is ultimately responsible for the quality of the audit engagement. The scope of the EQC reviewer responsibilities should not be broader than those of the engagement partner.

DTTL also supports the IAASB's continued coordination with IESBA overall, and in relation to quality control in particular. Matters relating to independence are relevant to a firm's system of quality control and can impact the quality of an audit. However, as IESBA remains the IFAC body governing independence matters, it will be important for the IESBA to continue to consider such independence issues, and for the ISAs to remain consistent with the ethics standards in order to avoid being duplicative.

Group Audits

Similar to the comments above, since the issuance of ISA 600, *Special Considerations- Audits of Group Financial Statements (Including the Work of Component Auditors),* there have been and continue to be significant changes in the structures and organization of businesses. Concurrent with such changes in business landscapes, complexities in planning and executing group audits have increased (including the consideration of additional inherent risks in certain jurisdictions such as emerging markets) and the performance of audits needs to continue to evolve accordingly. In this context, DTTL would like to provide the following observations and recommendations:

- Because of the increasing complexities in how businesses are structured, DTTL believes it would be appropriate to reconsider aspects of ISA 600.
  - o The identification of significant and non-significant components has become increasingly challenging as many businesses have transitioned from initiating, authorizing, processing, and recording transactions at local jurisdictions to using centralized structures and processes, including global shared service and delivery centers. Therefore, DTTL believes that a revised standard should consider focusing on the need for appropriate responses to the identified risks of material misstatement that exist within a group, in addition to consideration of significant and non-significant components. Such an approach should enable auditors to allocate and

        focus resources where the highest risks exist, and DTTL believes it would be effective in supporting the performance of a quality audit. For example, DTTL would suggest including within ISA 600 additional guidance on situations where the group engagement team (GET) may decide to test "across" components (i.e., test one or more balances in the aggregate, rather than by component). DTTL also believes additional focus on risks of material misstatement could result in a more effective and efficient audit that is more consistent with the risk-based approach of the ISAs.

        o In addition, DTTL recommends the IAASB provide further guidance setting forth broad principles with respect to working with other auditors outside of the typical group audit scenario (e.g., other auditors involved in audits of "letterbox companies" and other auditors of shared service centers in situations that may or may not involve group financial statements). It is not always clear how the existing ISAs should be applied to scenarios not specifically mentioned in ISA 600 (i.e., situations that are not group audits, but in which other auditors are also involved). Setting out the appropriate principles to be applied and providing clarity in terms of how to apply them to different scenarios would provide auditors with direction on how to apply the framework to their engagement circumstances, including circumstances that might not be explicitly addressed or described in the standards. Overall, DTTL believes ISA 600 should be sufficiently flexible and principles-based such that the multiple scenarios that may arise and continuing evolving structures can be addressed appropriately and in a reasonably consistent manner when the circumstances are similar. This approach in ISA 600 will be increasingly important as a result of mandatory firm rotation in some jurisdictions which will result in increased instances of the group and component auditors being from different network firms.

- It is in the public interest that component auditors consistently perform high quality procedures on the financial information of components. However, currently the requirements in ISA 600 are directed at the GET and, as such, do not directly focus on component auditor performance. DTTL does not believe that a separate standard to address the requirements for component auditors is necessary; however, DTTL believes that including additional application material and non-authoritative guidance for component auditors in the standard would be beneficial in demonstrating how the ISAs are expected to be applied by the component auditor.

- The ITC raises the possibility of allowing the group auditor to make reference to the report of another auditor in the auditor's report in certain limited situations. DTTL recommends further research on this possibility including understanding the experience of jurisdictions where reference to other auditors is permitted. DTTL is aware of the historic reluctance of the IAASB to recognize such a construct, but DTTL is also aware that the practice of making reference to another auditor is allowed under the standards of the PCAOB and certain other local auditing standards. It is of note that in jurisdictions that allow reference of another auditor to be made, the volume of activity is generally very low,[2] and usually related to transactions occurring late in the year and/or situations related to non-controlled entities. In light of issues that will likely arise from mandatory firm rotation scenarios and the frequency of non-controlled entities in consolidated financial statements, DTTL believes that there

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[2] For example, in the United States based on PCAOB staff analysis of SEC filings as of May 16, 2016, there were 30 and 38 audits in fiscal years 2014 and 2013 respectively in which the lead auditor divided responsibility with another auditor. See PCAOB Release 2016-002, *Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard – Dividing Responsibility for the audit with another accounting firm.*

needs to be a thoughtful assessment of 1) what is reasonable and practical in this increasingly complex world, including the timing and nature of merger and acquisition transactions which often impact decisions in this area and 2) the public interest considerations as compared to the potential costs and unintended consequences.

Please refer to additional detailed comments in the attached Appendix.

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DTTL would be pleased to discuss this letter with you or your staff at your convenience. If you have any questions, please contact me via email (cbuss@deloitte.com) or at +1-416-874-3969.

Very truly yours,

Cal Buss
Managing Director, Global Audit Quality
Deloitte Touche Tohmatsu Limited

APPENDIX

DTTL's responses to select questions posed in the ITC are set forth in this appendix. These responses provide additional context for DTTL's perspectives contained in the executive summary and include more specific and detailed observations relating to the various aspects of the ITC.

Question #	Response
General Questions (G)	
G1	DTTL agrees that the following public interest issues as set forth in Table 1 of the ITC provide appropriate areas of focus for the IAASB to consider as it weighs various actions that may be taken as a result of the responses to the ITC:
	• Fostering an appropriately independent and challenging skeptical mind set of the auditor
	• Enhancing documentation of the auditor's judgments
	• Keeping ISAs fit for purpose
	• Encouraging proactive quality management at the firm and engagement level
	• Exploring transparency and its role in audit quality
	• Focusing more on firms and networks and their internal and external monitoring and remediation activities
	• Reinforcing the need for robust communication and interactions during the audit.
	Note that in relation to considering enhancements to the documentation requirements supporting the auditor's judgments, DTTL believes that the IAASB should reframe the requirements as documentation of the auditor's assessments of the entity's or management's judgments.
	Depending upon the input received, the IAASB may determine that certain matters are being addressed appropriately or are continuing to evolve at a local or jurisdictional level (e.g., transparency reporting) and that certain other areas of the standards are working as intended (e.g., communications with audit committees). As a result, in the context of limited resources available, DTTL encourages the IAASB to prioritize its resources to those areas that need immediate attention.
G2	DTTL recognizes and supports the efforts of the Board's Innovation Working Group with respect to starting a project relating to Audit Data Analytics (ADA) as set forth in the *Proposed Strategy for 2015-2019 and Proposed Work Program for 2015-2016* (the Proposed Work Program[3]). DTTL also recognizes that the IAASB has formalized due processes that it adheres to when developing standards and other guidance. However, DTTL believes that some interim steps (prior to potential standard setting) may be appropriate in order to encourage the use of ADA's, which can have a significant impact on the quality and performance of audits. For example, DTTL recommends that the IAASB explore a more expedient response (while it continues to consider other longer-term responses) including the publication of a staff audit practice alert or other guidance with regards to ADA's and how their use is appropriate under extant standards.
Professional Skepticism (PS)	
PS1	DTTL believes the "professional skepticism" concept as articulated in the ISAs - being defined as "an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence" provides an appropriate overarching concept. Furthermore, when this concept is considered alongside the IAASB *Framework for Audit Quality*, and the *Staff Questions and Answers Paper – Professional Skepticism in the Audit of Financial Statements* DTTL believes that sufficient high level guidance is available to enable both auditors and other stakeholders to understand the concept. If enhancements to the definition are considered,

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[3] The Proposed Work Program provides a work plan to research the various applications with respect to ADAs and the relationship to the audit such as the effect on risk assessments, testing approaches, analytical procedures, and other audit evidence

	elaboration of the "professional" element of professional skepticism would add more focus (e.g., incorporating what constitutes being "professional" which in part is the integration of qualifications, experience, and understanding of the business in its market and environment to have a rational basis for determining what is not right).
	While, as noted in paragraph 18 of the ITC, early inspection findings were directly attributed to a lack of professional skepticism. DTTL believes that both audit firms and regulators have advanced their thinking from attributing quality weaknesses to the overarching concept of "lack of professional skepticism" to a more precise analysis focused on more granular causal factors. DTTL believes, therefore, that any future references to professional skepticism in the ISAs should not be broad but rather be focused on consideration of specific matters evidencing skepticism when making defined professional judgments during the audit process.
	In addition, the exercise of professional skepticism is closely interconnected with the application of professional judgment. In this regard, the IAASB may consider how to incorporate best practices with respect to professional judgment into guidance related to exercising professional skepticism. In practice, many firms have developed frameworks for applying professional judgment, and incorporating something similar into the ISAs might be appropriate.
PS2	The drivers to the application of professional skepticism are those factors which enable the auditor to critically challenge management's judgements and consider alternative assertions to those communicated by management in the financial statements. DTTL recognizes firm leadership and accountability (i.e., tone at the top) as one of the key contributing factors in focusing engagement teams on the application of professional skepticism. On the other hand, the impediments are those factors that inhibit the auditor's consideration of possible alternative outcomes; these factors includethe effect of culture,leadership, education, and experience.. Of the areas noted in paragraph 37, DTTL believes that the following are particularly important: • In relation to key judgments in areas that are more complex and where more subjectivity is involved, more examples should be given on what the application of appropriate skepticism looks like during audit execution. This is important for auditors, the audited entities and regulators alike. • Enhanced guidance should be provided regarding the appropriate documentation to evidence challenge and the consideration of potential alternative outcomes when making professional judgments based on facts available at the time. DTTL recognizes that auditors do often challenge management in exercising professional skepticism but the related documentation may only reflect the outcome of decisions rather than the processes and considerations which led to such conclusions; focusing on how audit documentation can effectively reflect the auditor's considerations would be beneficial. • The language of skepticism and challenge is reinforced in the standards through additional emphasis, guidance, and examples as standards are updated and revised, and developing an approach for doing so. Please refer to the executive summary for more discussion regarding the above and additional comments.
PS3	DTTL would encourage the working group to concentrate on key judgment areas of the audit first, so that the expected behaviors of auditors are unambiguously established at the engagement level before seeking to reinforce concepts at a higher level. Therefore, DTTL considers the work to revise ISA 540 as set out in paragraph 39 to be of high importance. In order to help ensure that the overarching concept of professional skepticism develops in tandem with audit innovation themes, DTTL would recommend that the work areas set out in paragraph 40 are also prioritized. In particular, the application of professional skepticism in the context of audit data analysis is key to the development and application of data analytics and other innovative audit procedures in the audit.

PS4	DTTL believes quality control and group audits are areas where explicit consideration and explanation of "what good looks like" in terms of guidance on how professional skepticism is appropriately applied would be beneficial for all stakeholders. However, as noted in DTTL's response to PS1 above, auditor and regulator understanding of the exercise of professional skepticism has advanced from a simple overarching concept and, therefore, consideration of skepticism in the context of significant audit judgments needs to be at a more granular level. With regards to quality control and group audits, it is important that the proposed changes to standards and guidance identify factors that may inhibit professional skepticism so that auditors can remain alert to avoid or overcome such barriers. For example, in relation to quality control, accelerated reporting timetables may make it challenging to the exercise appropriate professional skepticism by limiting the time to consult fully. Additionally, in relation to group audits, different native languages used in audit documentation can be a challenge in the group auditor's exercise of professional skepticism.
PS5	As the concept of professional skepticism is developed, it is important that these developments are communicated to other stakeholders. In particular, it is important that work on the identification of causal factors related to regulatory findings is shared more widely as this work encompasses enhancing professional skepticism. In addition, DTTL recommends continued coordination with the International Accounting Education Standards Board (IAESB) and IESBA in order to ensure a unified objective in the advancement of guidance relating to professional skepticism. As such, DTTL is supportive of the IAASB, IAESB, and IESBA Joint Working Group that is continuing to consider this topic holistically, including further exploration of the notion of "fortitude" (i.e., courage to critically challenge management's judgments and assertions).
	Quality Control (QC)
QC1	The ITC sets forth a QMA framework that it would propose to incorporate into ISQC 1. It is a broad principles-based framework and DTTL is supportive of pursuing such an approach. An analogy may be drawn to the internal control framework set forth by the Committee of Sponsoring Organizations (COSO) in the United States which is referenced in the ITC. This framework has become an accepted benchmark against which internal control structures are measured. Thus, a principles based structure can be relatively successful in providing organizations foundational principles to design processes and controls and assess their effectiveness. DTTL also believes this kind of framework can be used by entities of different sizes and complexity, providing a scalable approach that allows for firms to consider the nature of their practices (e.g., auditing mostly public interest entities (PIEs), auditing mostly smaller non-PIEs, or performing mostly non-audit services that have differing risk profiles) in designing appropriate responses, including relevant controls to achieve their quality objectives and requirements.
QC2	DTTL believes that the expectations related to an engagement partner are clearly delineated in ISA 220.[4] The manner in which partners executes their roles and responsibilities is necessarily dictated by specific facts and circumstances, and in order to properly address the issues at hand at any given time. As a result, very detailed or prescriptive requirements about an engagement partner's specific actions to fulfill his/her responsibilities may be counterproductive and detrimental to audit quality, as it would likely lead to a "checklist mentality" in areas where thoughtfulness and tailored actions will be more appropriate. As a result, DTTL cautions against being overly prescriptive in setting forth the actions

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[4] ISA 220 sets out the responsibility of the engagement partner for (i) the direction, supervision and performance of the engagement in compliance with professional standards and applicable legal and regulatory requirements; (ii) reviews being performed in accordance with the firm's policies and procedures; (iii) being satisfied through a review of the 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 to be issued; and (iv) the auditor's report being appropriate in the circumstances.

	engagement partners need to take and what partners need to review to execute their responsibilities. For example, making broad statements that all working papers relevant to significant risks or significant accounts are required to be reviewed by the engagement partner will likely not be beneficial or effective. Such broad statements would not recognize the complexity of the review process and also the nature of audit documentation which might include a lot of detail that might not all need to be reviewed, or reviewed in the same manner. Engagement partners need to have the ability to exercise judgment in terms of what specific working papers to review to meet their responsibilities. In addition, latitude must be provided for delegation of responsibilities to other partners, or other members of the engagement team, as this is an important consideration that the engagement partner makes as part of audit judgment. Overly prescriptive standards may have the unintended consequence of decreasing audit quality, rather than improving it.
QC3	Paragraph 100 explores the need to focus on the core principles in relation to the engagement partner's responsibilities and the necessary direction, supervision and review of the work of another auditor. DTTL supports further consideration and guidance in relation to the assessment of professional competence and capabilities of other auditors, and the evaluation of the sufficiency and appropriateness of the work these auditors have performed (particularly in situations where those other auditors are situated in another location or where the work performed by the other auditor is being directed and supervised by others, such as a shared service center auditor in a group engagement where such auditor's work is also used by the subsidiary auditor). DTTL also believes that exploring the documentation requirements in relation to the work performed by other auditors, and the demonstration of direction and supervision would be beneficial.
	While DTTL is supportive of the IAASB taking action to address concerns raised in relation to the direction and supervision of others involved in the audit, DTTL also recognizes the interconnectedness of this topic with group audit considerations and that any updates in the quality control standards should be considered in tandem with updates to ISA 600. Further, in the context of supervision and review, the consideration of these issues and proposed actions should be expanded to consider specialists and other non-auditors involved in the audit. Currently, the focus seems to be more on normal "audit" personnel rather than being expanded to the various complexities arising from the need to involve others with a wide range of skills and expertise in an audit. DTTL believes that consideration of "others" is an important facet of this very broad topic of supervision and review. Such complexities include the use of "internal" vs. "external" specialists or experts; distinguishing between specialists and experts; and the nuanced interactions between such specialists or experts and the engagement team.
	Paragraph 103 explores whether certain responsibilities attributed to the "auditor" should be more specifically characterized as responsibilities of the engagement partner or the engagement team. While that additional guidance may be helpful, it is important to guard against creating an impression that there are certain aspects of the engagement for which the engagement partner is not responsible.
QC4	ISQC 1 and the ISAs do not include requirements for firms at the network level nor do they address in any significant detail a firm's ability to place reliance on network policies and procedures to address firm-level or engagement-level responsibilities for quality control. However, it is important to recognize in many cases firms within networks use common quality control policies and procedures, including common audit methodologies or approaches. This can be very effective in allowing network firms to communicate and work amongst each other; however, without strong central monitoring, local interpretations of the network methodology and diversity in practice can grow over time, diminishing the effectiveness and appropriateness of the network's methodology. While many networks monitor implementation of network methodology and policy, such implementation may (i) be undertaken by either centralized or local resources; and (ii) be evaluated in the context of different regulatory regimes. As there are oftentimes no set criteria for evaluators to measure compliance against and inconsistent designation of evaluators (local or centralized), it would be worthwhile to explore how and by whom compliance with network

	methodology and policy is currently performed, and whether a specific inspection regimen could be prescribed in a standard .
	Many local laws, regulations and/or customs limit centralized network resources from having access to both internal and external inspection findings at the specific firm level. The difficulties that may exist related to sharing of inspection findings information can make it challenging to obtain a full understanding of the state of a network firm's system of quality control. Because of the importance of understanding the results of inspections and other monitoring activities, DTTL is supportive of strengthening ISQC 1 requirements around the transparency of intra-network reporting of inspection results and remediation, recognizing, however, that there are local laws and regulations that may preclude the ability to share such information or may affect the manner and level of detail in which it can be shared. In an era when audit firm rotation is taking on more prominence and where it is likely that firms outside of a network will serve as component auditors, it is expected that there will be an increase in situations where auditors involved in an audit engagement will not all share common quality control and monitoring policies and procedures. Currently, the process for understanding the quality control process in such component auditors is relatively ad-hoc and cumbersome and relies on auditor by auditor procedures. Certainly, a service auditor model relative to how specific component auditors operate would be useful. However, such a model becomes problematic when reliance is a function of not only quality control at a network level but at a local jurisdiction level too. In order to issue a service auditor's report, a service auditor would likely need access to significant volumes of firm confidential data and be able to interpret various internal and external inspection findings. Unfortunately, DTTL believes that a service auditor reporting/reliance approach may not be workable (especially when firms from different networks are involved).
	DTTL would also agree with IAASB's observations that network and firm structures are highly influenced by unique local laws and regulations. Therefore, any attempt to rationalize a consistent structure would be extremely difficult to conceptualize and even more difficult to execute. DTTL would recommend this not be a priority for the IAASB. Rather, as discussed in the executive summary, DTTL believes it is more appropriate for the IAASB to focus on strengthening requirements relating to reliance on network level processes and controls at the firm or engagement level (i.e., considering what it takes to have a basis for such reliance).
	With respect to Alternative Audit Delivery Models (ADMs), they are a business reality, will likely take on additional prominence in the coming years, and contribute to the quality of an audit. The structures of such ADMs widely vary and continue to evolve. Quality control, regardless of the ADM structure, is very important. DTTL believes the various ADM structures underscores the need for a principles-based approach that is focused on a quality outcome – regardless of the form or structure of such ADM arrangements. This is another example of where the standards will not be able to anticipate or address every single type of arrangement.
	Many of the issues that arise relative to ADMs are issues that also arise in group audits. Although ADM communication matters may prove even more difficult to address. DTTL, therefore, believes that ADMs should be considered in the context of group audits and communications among components (i.e., falling under the ISA 600 umbrella). Paragraphs 125–135 set out matters relating to governance of firms, including leadership responsibilities for quality. There already exists within ISQC 1 some broad guidelines relative to leadership responsibilities for quality within the firm. These responsibilities are not inconsistent with current practice and the objectives of ensuring that leadership consistently emphasizes a quality message.
QC5	The ITC suggests that quality should be better defined and accountability within a firm be more clearly delineated and prescribed. DTTL's experience has led to the conclusion that facts and circumstances are always different and that broad principles work best in assigning and coming to conclusions on accountability. Dictating specific structures in a

	standard which would be relevant to all auditors is likely to be unworkable. As a result, DTTL believes ISQC1 should be updated for changes in terminology such as "tone at the top", but that specific matters relating to governance of the firm, including leadership responsibilities for quality, should remain principles based with detailed approaches to be addressed by the firms.
QC6	DTTL is supportive of the expansion of the requirement for an EQC review to include Public Interest Entities. This would be consistent with the approach adopted in the IESBA Code[5] which currently has more rigorous independence requirements for Public Interest Entities. However, DTTL does not support the suggestion that the IAASB explore either setting a definition for Public Interest Entities or describing characteristics of particular public interest entities other than listed entities. This topic was explored by the IESBA in the development of the sections 290 and 291 of the Code. As this topic remains within the purview of IESBA, DTTL recommends the IAASB remain focused on matters that may enhance the performance of the EQC reviews.

For example, as referenced in paragraph 138 of the ITC, PCAOB Auditing Standard No. 7 (AS 7) does have additional emphasis with respect to (i) the objective of an engagement quality review; (ii) the need for independence, integrity and objectivity in an engagement quality reviewer; and (iii) the EQC process itself focusing on areas of significant risk or judgment. It may be appropriate, in the context of possible enhancements in the areas outlined above, to consider how the matters are addressed in AS 7; however, DTTL is not recommending that there necessarily be complete alignment with all the requirements of AS 7.

As discussed in the executive summary, given the objective of an EQC review and the importance of the role as an element of a firm's system of quality control, a definitive separate standard that includes a balance of principles, robust requirements, and supporting application material may be effective in communicating the importance of the role and also emphasizing the related responsibilities. It is important to clearly balance these EQC responsibilities relative to those of the engagement partner, but at the same time emphasizing accountability of the EQC reviewer. Importantly, the scope of the EQC reviewer duties should not expand beyond those of the engagement partner who is ultimately responsible for the quality of the audit.

While DTTL is supportive of the EQC reviewer using assistants in the execution of the EQC review, paragraph 143 also explores the use of subject-matter experts or other qualified individuals in the execution of the EQC review. DTTL questions whether this creation of another "quasi" engagement team is consistent with the EQC process. The role of the EQC review is not to re-perform the audit, rather it is to serve as an independent review of the more complex or significant areas DTTL recognizes that the work of specialists/experts in an audit engagement currently is and should continue to be subject to appropriate review by suitably experienced members of the engagement team. In performing the EQC review, the EQC reviewer has the ability to question these individuals about their work and related conclusions, but should not be required to find others to reperform their analysis. To reemphasize, the role of the EQC reviewer should be to understand that process and to hold discussions with the partner and specialist/expert as deemed necessary.

Paragraph 146 explores the possibility of the EQC reviewer communicating with Those Charged with Governance (TCWG). Having the EQC reviewer available to support the audit partner in discussions with the client on contentious matters may be beneficial on occasion. However, requiring the EQC reviewer to specifically communicate to TCWG will confuse the issue of who is in charge of the audit and who is making the key decisions. Therefore, DTTL cautions against such an approach. |
| QC7 | DTTL believes audit regulators and oversight bodies expect firms to investigate and understand the root causes of inspection findings (both internal and external) and to use |

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[5] IESBA Code refers to the Code of Ethics for Professional Accountants

	them as the basis for determining remedial actions and ultimately assessing the effectiveness of those actions. ISCQ1 does not currently explicitly contemplate these matters. In this regard: • DTTL agrees that improved guidance in ISQC 1 could lead to greater consistency in practice to respond to all quality control feedback. This could include requirements around (1) consistently addressing causal factors of exceptions arising in external inspections, internal inspections and other monitoring processes; and (2) analyzing the potential prevalence of causal factors in the entire population • DTTL also agrees that policies and procedures to clarify the nature of remedial actions and the monitoring of such remedial actions is important to consider in ISQC1.
QC8	Extant ISQC 1 highlights the correlation between quality and compensation. Anything more prescriptive than the existing guidance would likely be far too simplistic and likely too invasive for an international standard. There are too many subjective judgments and variables associated with the definition of quality to set forth a discrete formula for measuring quality performance. Quality and compensation decisions are necessarily based on specific facts and circumstances, so while broad principles are appropriate, prescriptive guidance would likely be counterproductive. For example, DTTL policies require that DTTL member firms consider audit quality in the performance evaluation process, such as by considering internal and external inspection results. Additional matters such as compliance with firm policies, as well as the partner's success in meeting firm quality goals are also considered in a partner's overall evaluation. These areas are just part of what is considered in evaluating a partner and are subject to variation and modification each year. Further, it is important to point out that auditors often refer to the IESBA Code of Ethics for guidance on matters related to integrity, professional competence, due care, and professional behavior. As a result, if more guidance is included within ISQC1, there is a risk that auditors may refer to ISQC1and assume that it is complete without consideration of the IESBA Code of Ethics.
QC9	The knowledge, skills, and competence of a firm's employees, and the manner in which those employees are assigned, supervised, and how their performance on engagement is reviewed, are essential to achieving audit quality. So too is the evaluation of partners' competencies and assignments. At present, neither engagement partner competency nor staffing guidance is addressed directly by ISQC1 and ISA 220. Similar to the response to QC8, DTTL believes that overly detailed or prescriptive standards that involve substantial and specified qualitative evaluation will add to administrative burdens and detract from the focus on performing a quality audit. Further such prescriptiveness would confine and narrow evaluations, when considerations of specific facts and circumstances are warranted. Therefore, DTTL believes it is best that firms develop their own internal policies based on the broad principles in ISCQ1.
QC10	Current practices and requirements for transparency reporting vary significantly between jurisdictions. The ITC recognizes that transparency reporting is an area where practice is likely to continue to evolve to meet the needs of users of such reports and that risks exist in trying to establish requirements related to firm transparency reporting. DTTL agrees that prescriptive transparency reporting requirements could inhibit innovation in this area and possibly result in less useful information being provided to stakeholders. In addition, DTTL agrees that it would be best to allow firms to innovate in order to ascertain market requirements. Audit committees and the external market will be the best judges and navigators in relation to the direction of transparency reporting.
	Group Audits (GA)
GA1	DTTL believes that while a stronger connection between ISA 600 and the need to apply all relevant ISAs (on which ISA 600is predicated) would be beneficial, this should be considered in conjunction with a reassessment of whether the current requirements in ISA 600 need to be as prescriptive as they are currently drafted. This is further discussed at GA7.

	As discussed in the executive summary, the environment has changed since ISA 600 was originally issued. There is increasing complexity in audit regulation and the business environment (reflected in complexity in terms of scoping and performing group audit engagements). There is also additional recognition of the risks that may be inherent in certain jurisdictions (e.g., certain emerging markets). Much of the additional guidance proposed in the ITC would assist auditors in more specifically addressing these situations. DTTL, therefore, believes that the actions described in the ITC would enhance the quality of group audits. In particular DTTL believes that auditors will benefit from: • A reconsideration of the approach in ISA 600 to be more risk-based rather than driven by the identification of significant components as discussed in the executive summary. • Increased consistency around the expectations of the group engagement team (GET) with respect to documentation that should be reviewed or maintained by the GET. • Additional guidance for the GET to apply in identifying and resolving access issues. • Enhanced communications between the GET and component auditors, particularly as an increase in the use of non-network component auditors is anticipated in jurisdictions where mandatory firm tendering and/or rotation exist. • Additional guidance around the factors to be considered by the GET in determining the scope of their involvement in the work of component auditors.
GA2	DTTL considers the requirements and guidance currently provided by ISA 600 related to acceptance and continuance to be robust, and where appropriately applied should provide the GET with an acceptable basis for making the acceptance or continuance decision. However, DTTL supports the improvements suggested in paragraphs 215 – 217 of the ITC. In particular, DTTL agrees with the principles-based approach described in paragraph 216 with respect to the determination by the group engagement partner as to whether the group engagement partner and GET can fulfil their responsibilities (rather than any specific requirement for the GET to be directly involved in a certain percentage of the audit of the group). In addition, DTTL welcomes any additional guidance, as mentioned in paragraph 215(e) of the ITC, that the GET can apply when faced with potential restrictions around the access they may have to component management or component auditors (see additional discussion below). DTTL also believes that there is benefit in providing additional guidance with respect to the GET's consideration of the component auditors including the existence or absence of consistent policies and procedures as described in paragraph 215(f) of the ITC as there is currently a large degree of inconsistency in practice of how these factors are considered and responded to by the GET. Furthermore,in DTTL's experience access issuescontinue to be one of the greatest challenges to implementing the requirements of ISA 600. These frequently arise from legal and regulatory requirements in certain jurisdictions which restrict information flows or in some cases make sharing of detailed audit information practically difficult. A more specific example of access constraints is the situation where the component is not a controlled entity, resulting in less influence by group management over the component's management and consequently the ability for the GET to appropriately direct and supervise the component auditor. In practice, these situations are frequently addressed through relationships built up between firms within the jurisdiction with an informal understanding that cooperation in such situations is mutually beneficial. However, it obviously becomes more difficult to apply a similar approach where component auditors are from other jurisdictions and/or networks other than the GET's. The earlier that potential access issues are identified, the greater the likelihood that alternative solutions by the GET and/or group management can be identified and implemented. Early identification of such issues also mitigates the risk that the auditor concludes that they are not in a position to express an unqualified opinion on the group financial statements due to potential limitations in their scope caused by access issues. However, DTTL is conscious of the inherent limitations that may exist in obtaining sufficient information upon which to base acceptance or continuance decisions, particularly when

	accepting a new client, which are articulated in paragraph 215(b) of the ITC. In the context of the ability to access component information), the potential GET may not be able to or may be unlikely to have communications with the component management or the component auditors prior to engagement acceptance. Therefore, it may not be possible or practical to reach a final conclusion on whether the GET will have sufficient access until these formal communications and interactions are initiated as part of the planning the group audit. As a result, DTTL cautions against overly prescriptive requirements related to acceptance decisions that may not be achievable in practice. DTTL does support the view expressed that the potential group engagement partner should be gathering sufficient information to make the most informed decision in the circumstances. DTTL also echoes the sentiment expressed in paragraph 215(e) that amendments to ISA 600 will in most cases not be able to resolve the access issues.
GA3	In general DTTL agrees with the suggested actions described in paragraph 224 of the ITC related to communications between the GET and component auditors, with the following specific comments: • The emphasis on appropriate, timely two-way communication as discussed in paragraph 224(a) is critical. In particular, the various communications and interactions that occur between the GET and component auditors outside of the formal communications between the teams play an important role in demonstrating appropriate and sufficient communications. In DTTL's experience, these interactions may not always be well documented by the GET and it would be appropriate for the standards to emphasize the importance of this documentation. It is also important that the GET clearly communicates to the component auditor any procedures that have been performed centrally and that are relevant to the component auditors' work (whether as part of the group audit or on (statutory) stand-alone financial statements of the component). Examples of this could include procedures performed on related party information, information systems, or at shared service centers. This is an area where the IAASB could provide additional guidance and direction. • DTTL is open to the possibility, described in paragraph 224(b), of developing guidance directed at component auditors, with the objective of improving the quality and consistency of work performed and communications provided by component auditors for the purpose of the group audit. In this regard, however, DTTL suggests that the IAASB explore the possibility of additional application material and non-authoritative guidance which may lend itself more to this topic. For instance the guidance could elaborate on how component auditors should interpret and apply the ISAs in the context of group reporting and how this may differ from the situation where they are performing a stand-alone audit. This would avoid the possibility of the standards becoming overly complex and prescriptive, and would avoid the need for a separate stand-alone standard which, in DTTL's view, is likely not necessary. An additional issue that may warrant further consideration is that ISA 600 does not specify the format or content of clearance memoranda (e.g., the communication by the component auditor of the items noted in ISA 600.41). As a result, the GET and component auditors often spend a significant amount of time discussing the appropriate and acceptable form of communication. Different networks and/or firms may have their own formats or preferences as to the content included and in some cases there are differences within networks and firms. Therefore, DTTL recommends that the IAASB explore whether additional guidance could be provided on the expected form and content of these communications. Although DTTL recognizes that it would not be possible to develop a standard format for these communications, ISA 600 may be able to provide the principles governing the content that would normally be included in various circumstances. DTTL believes that this principles-based guidance would be helpful in facilitating discussions (and ultimately determining the appropriate form and content of communications) between teams from different firms and/or networks.
GA4	In general DTTL agrees with the suggested actions described in paragraphs 234 and 242 of the ITC, with the following specific comments:

	• With respect to the proposed action in 234(e), DTTL notes the manner in which the GET treats component auditors that have common policies and procedures can vary in practice. For example, some GETs treat them the same as component auditors that do not have common policies and procedures (i.e. effectively placing no reliance on those common policies and procedures) and some GETs place a high degree of reliance on those component auditors with common policies and procedures (without necessarily establishing that the policies and procedures are indeed common and reliable). DTTL, therefore, welcomes further guidance in this area to improve the consistency in the way that this situation is being addressed by GETs, and to provide guidance to the GET as to the appropriate considerations when determining the extent of reliance on common policies and procedures. • DTTL has similar observations with respect to those actions proposed in paragraph 234(f) related to developing application material to emphasize the need for the GET to understand results of quality control monitoring and external quality control reviews, and similarly sees this as an area that would benefit from additional guidance to enhance consistency. • Improving the consistency of documentation of the significant judgments applied in determining the scope of involvement in the component auditors' work as stated in paragraph 242(b) (with additional guidance provided by ISA 600 to assist in this decision-making) would also be beneficial. DTTL believes that the circumstances of the group audit (including the identified and assessed risks of material misstatement) should determine the nature, timing and extent of the involvement of the GET in the work of the component auditor. The response to QC4 is relevant to this determination where the component auditor is from the same network as the group auditor (and, therefore, subject to the same system of quality control). However, DTTL also believes that the standard should not attempt to be overly prescriptive in this area due to the wide variety in possible circumstances that could be encountered by the GET (e.g., factors such as the competence of the component auditor, the risks of material misstatement identified, the component's control environment, the jurisdiction in which the component operates may be important in considering the extent of involvement in the work of the component auditor; however, how these factors are considered and weighted may not be equal). Rather, additional guidance provided on a principles-based approach would be the most useful for the GET in determining how their circumstances determine their involvement in the component auditor's work. This guidance should link to the additional requirement and/or guidance proposed to be added with respect to documenting the basis for determining the involvement by the GET. Finally, DTTL also supports the proposal to require an explicit determination about whether the GET can use the work of a potential component auditor, with appropriate documentation as to the basis for this determination.
GA5	In general, DTTL agrees with the suggested actions described in paragraphs 251 to 253 related to the GET's understanding of the components and identifying significant risks. In particular, DTTL notes that the identification of significant components by the GET is an activity that can be challenging and can cause confusion. For instance, it is unclear how the identification of significant components interacts with the identification of risks of material misstatement of the group financial statements by the GET (e.g., how do the risks of material misstatement drive determination of the significance of a component). In practice, as suggested by ISA 600, the GET would often use one or more benchmarks to identify financially significant components; however, it is sometimes unclear 1) how this process of determining benchmarks relates to the overall determination of materiality, and 2) how the GET should approach components which fall below the determined benchmarks but nonetheless contain other balances, transactions or disclosures that have risks of material misstatement that need to be addressed. DTTL, therefore, believes that the proposed actions in paragraph 253(c) and (d) (clarifying how significant risks are pervasive to the group and the meaning of the phrase "of financial significance") are important; however, these proposals would need to be considered in light of any potential changes to ISA 600 to reassess the current focus in the standard on identification of components (see

	the discussion in the executive summary and the response to GA7). In addition, further to the comment relevant to the importance of appropriate two-way communication in the response to GA3, DTTL believes that the communication of additional significant risks identified by the component auditors to the GET is an important procedure to strengthen the GET's understanding of the risks across the group and potentially alter the work or scoping in other areas of the group in response to this information. The proposed action in paragraph 253 (b) (clarifying that significant risks identified by component auditors for a specific component should also be considered at the group level by the GET) is, therefore, an important one.
GA6	In DTTL's experience, the determination of component materiality as a concept is one that can be difficult. DTTL recognizes the fact that this is interlinked with the determination of materiality as a whole which is not being considered at this time. However, DTTL does believe that in group situations, the concepts tend to become more complicated, and, as such, any guidance that could be provided to GETs in the interim would be valuable in increasing consistency and the quality of judgments that are being made in this area. Specifically, DTTL believes that principle based guidance on the methodology of determining component materiality and component performance materiality would be beneficial. Recognizing that significant changes to ISA 320, *Materiality in Planning and Performing an Audit,* will not be contemplated until a review of ISA 320 has been performed in its entirety, a specific issue that arises in practice is the determination of component materiality in the case of a non-controlled component. In circumstances where the investee is of similar size or larger than the group, the requirement in ISA 600 that component materiality should be set at a level that is lower than the group materiality, if applied literally, is often not practical to implement. In conjunction with reassessing the treatment of non-controlled components discussed at GA2, DTTL, therefore, recommends reassessing how the general requirements in ISA 600 can be applied in these situations. Please also refer to the discussion of the impact of component materiality on the component auditor's reporting in the response to GA7 below.
GA7	In general DTTL agrees with the suggested actions described, with the following specific comments: • It is not uncommon for the GET to decide that it is more efficient or effective to test one or more balances in the aggregate (i.e., as a consolidated balance), rather than by component. This is becoming more prevalent in situations where groups employ common IT systems that allow the GET visibility and accessibility to the entire group information at the center. The clarifications relating to the implications in situations where audit work is performed on balances in the aggregate or processes centrally (as described in paragraph 273) are necessary to address these situations. • There is diversity in practice in terms of the understanding of the reference in ISA 600 to the concept of an "audit" as it pertains to a financially significant component. This confusion manifests itself at the level of the GET and also when component auditors are performing their work. DTTL, therefore, believes the reassessment of this term as described in paragraphs 272 (b) (i), (ii) and (vi) is appropriate and would potentially improve consistency of work performed in these situations. Further guidance in this area would also potentially improve the consistency of the reporting provided by component auditors when their work constitutes anything less than a "full" audit (i.e., application of all relevant ISAs). In particular, component auditors have different understandings as to the implication for their reporting to the GET where the component materiality provided to them by the GET is higher than the materiality level that they would have determined for the component on a stand-alone basis(e.g., in this situation, is it appropriate to still consider this an "audit"?). • Clarification of the terms used in the standard, as explained in paragraph 272, would be helpful. Auditors have different understandings of these terms, including the difference between "agreed-upon procedures," "specified audit procedures," and "specified procedures."

	• The point described in paragraph 273 with respect to centrally-tested balances is also an important area that requires clarification as, again, this is treated in diverse ways by both GETs and component auditors (i.e., in situations when the GET tests centrally, but asks the component auditor to do an audit - the items not tested by the component auditor are described in various ways when reporting back to the GET). • There are varying views on whether, and to what extent, reviews of components' financial information contribute to the overall audit evidence of the GET. DTTL, therefore, supports a reconsideration of this, including providing additional guidance with respect to the appropriate role of reviews of component's financial information in a group audit as described in paragraph 279 (c). In addition to DTTL's considerations above, DTTL recognizes the scoping process in a group audit is frequently highly complicated, with a complex interaction between work performed at individual components and an assessment of whether risks of material misstatement at the group level have been adequately addressed. In many cases, this involves the GET performing an assessment of the material balances and how they have been addressed across the group. At the end of this process, the GET often struggles with the question of "How much is enough?" as it pertains to the question of "coverage" (i.e., considering the percentage of the consolidated account balance that has been subject to audit procedures). This is further complicated when there are multiple layers within the group, in which case components are themselves "sub-groups" and need to apply their own scoping process. Therefore, the actions described in paragraph 279 with respect to clarifying and providing additional guidance are important. DTTL does, however, caution against adding additional requirements specific to non-significant components without holistically addressing the question of whether ISA 600 is suitably flexible to allow the GET to adapt the standard to their circumstances. Groups are organized in multiple different ways with some groups being centered on an entity view with others being more focused on account balances (and the allocation of account balances to entities is of secondary importance). This makes it important for the standard to be principles based and not overly prescriptive in mandating a rigid approach that cannot be appropriately adapted by the GET for the differences in group structures that exist. As it pertains to the GET's involvement in the consolidation process, DTTL believes that it is appropriate to reassess whether the existing requirement in paragraphs 33 and 34 of ISA 600 are overly prescriptive. Organizations frequently have complex consolidation structures with multiple layers of consolidations being performed. It would not seem to be necessary or desirable that the GET has to be involved in testing each one of these layers of consolidation; however, the GET should maintain an overall understanding of the risks associated with the consolidation process performed across the group and how these are being addressed (either by the GET themselves or by component auditors) under the direction of the GET. Finally, DTTL agrees with the suggestion to strengthen the standard around the issue of subsequent events in the interests of further consistency of how the GET is addressing this issue.
GA8	In general DTTL agrees with the suggested actions described in paragraphs 299 and 303 with respect to review of working papers, communication with component auditors, and the documentation requirements of the GET, with the following specific comments: • DTTL understands the concern that working papers prepared by the component auditors may already have been reviewed by senior members of the component auditor's engagement team, including the engagement partner. Accordingly there may be some duplication if the GET also reviews these working papers. However, DTTL notes that the objective of the GET's review may differ from that of the component auditor's review. One of the additional objectives of the GET's review is to form a view as to whether the work performed is suitable and sufficient for the purposes of the overall group audit and also to consider issues and risks in light of their understanding of the broader group audit.

	• The GET's working papers are sometimes seen as a "window" into the work performed by the component auditors especially in those situations where regulators in the GET's jurisdiction have no ability to inspect the working papers of the component auditors. This results in differing interpretations by regulators in different jurisdictions regarding what is considered to be a sufficient level of documentation in the GET's working papers necessary to demonstrate that the component auditors have performed appropriate work for the purposes of the group audit. DTTL believes additional guidance in this area would be beneficial as it would increase the certainty and consistency of the expected content of the GET's documentation. The response to QC 4 is also relevant to this question in the context of work performed by component auditors within the same network or firm as the group auditor.
GA9	DTTL agrees that the issues described in paragraphs 304 and 305 related to disclosures and identifying key audit matters merit further consideration and possibly addition of guidance in ISA 600. For instance, the GET may need to 1) provide additional information to component auditors about significant disclosures and key audit matters that have been identified in the past, 2) request the component auditors to report back to the GET with respect to disclosures that may be significant at the group level and issues that may rise to the level of key audit matters, and 3) report back regarding the work performed on these issues. Likewise, the GET may need to seek assistance from the component auditors to perform procedures on other information in accordance with ISA 720 and this may need to be included in the instructions as well.
GA10	DTTL has the following specific comments related to this question: • DTTL notes that the impending mandatory audit firm rotation requirements in Europe and elsewhere will likely make group audits more complex in that the component auditor landscape across the group may become more fragmented (with different rotation requirements and rotation dates being enforced across the group). This potentially means that the GET will over time need to interact with new component auditors on a more frequent basis, making the requirements and guidance related to the GET's understanding and communications with component auditors even more significant. This underscores the importance of revising ISA 600. • Independence issues within group audits can also be challenging due to the variation in independence requirements across different jurisdictions, and will become more so in the future due to the increased rotations referred to above. To partially mitigate these challenges, DTTL recommends that ISA 600 include more guidance about the communications that should occur between the group and component auditors, including for instance the detail of the independence ruleset that the group auditor expects that the component auditor needs to comply with for the purposes of the group audit (in addition to their own local requirements). DTTL also recognizes that there is little guidance in ISA 600 about resolving potential independence issues that arise at the component auditor level, with the simple requirement that where component auditors are not independent under the relevant rules, the group auditor cannot place reliance upon them. However, in practice, DTTL would expect there to be some mechanism to report independence breaches that have occurred at the component auditor level, and how those have been addressed by the component auditor (in the same way that the group auditor would be able to do this under the IESBA Code of Ethics). It would, therefore, be beneficial to recognize that this process under the Code of Ethics is available to the component auditor prior to the group auditor concluding that they are unable to place any reliance on their work (consistent with the comments in the executive summary that these matters remain under the purview of the IESBA).
GA13	Public sector organizations pose their own group audit challenges due to the nature of the disparate entities that are sometimes organized under a single reporting entity. The GET in these situations sometimes encounters challenges in applying the requirements of ISA 600

	due to the varying levels of control exerted by the management of the reporting entity over the other entities, as well as the access that the GET can obtain to the auditors of those components.