

ISA 220 (REVISED)

**Quality Management and Group Audits:
Highlighting Certain Aspects of Interaction
Between ISA 220 (Revised) and ISA 600**

FACT SHEET

IAASB

International Auditing
and Assurance
Standards Board

Introduction

This fact sheet focuses on the interaction between [ISA 220 \(Revised\)](#)¹ and the extant standard for audits of group financial statements (group audits), ISA 600.² The fact sheet explains the impact of the definition of engagement team and certain requirements in ISA 220 (Revised) in a group audit in which component auditors are involved. It is intended to assist in the application of ISA 220 (Revised) with the extant standard until [ISA 600 \(Revised\)](#)³ becomes effective for audits of financial statements.

This fact sheet also highlights certain provisions from [ISQM 1](#)⁴ that are relevant to the application of ISA 220 (Revised) to group audits.

More information and implementation guides can be found at the IAASB's [Quality Management webpage](#)

The publication does not amend or override the ISAs, the texts of which alone are authoritative. Reading the publication is not a substitute for reading the ISAs.

The IAASB issued ISA 220 (Revised) and ISQM 1 in December 2020. ISA 220 (Revised) is effective for audits of financial statements for periods beginning on or after December 15, 2022 and ISQM 1 is effective from December 15, 2022. ISA 220 (Revised) also applies to group audits and therefore is intended to work with the IAASB's extant standard on group audits, ISA 600.

This fact sheet highlights the following aspects of a group audit that may be impacted by ISA 220 (Revised):

- Revised definition of engagement team; and
- Leadership and direction, supervision, and review responsibilities.

At the time of approval of ISA 220 (Revised) and ISQM 1, revisions to ISA 600 were still in progress. ISA 600 (Revised) was issued in April 2022 and is effective for group audits beginning on or after December 15, 2023. While ISA 600 (Revised) is not yet in effect, it may provide useful guidance in the interim period.

Major Changes Affecting a Group Audit

The Definition of an Engagement Team

As noted in the [Fact Sheet, Definition of An Engagement Team](#), ISA 220 (Revised) (paragraph 12(d)) has a revised definition of an engagement team:

All partners and staff performing the audit engagement, and any other individuals who perform audit procedures on the engagement, excluding an auditor's external expert and internal auditors who provide direct assistance on an engagement.

¹ International Standard on Auditing (ISA) 220 (Revised), *Quality Management for An Audit of Financial Statements*

² ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

³ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁴ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

The change to the definition recognizes that in a group audit, component auditors may be from the firm, a network firm, or a firm that is not a network firm. Accordingly, in a group audit the engagement team will include component auditors that perform audit work for purposes of the group audit.

The requirements of ISA 220 (Revised) that apply to the engagement team include all individuals who meet the definition, regardless of their employment status or location. This includes requirements related to:

- Leadership responsibilities for managing and achieving quality on audits (paragraphs 13–15);
- Relevant ethical requirements (paragraphs 17–19);
- Engagement resources (paragraphs 25–28); and
- Engagement performance (paragraphs 29, 30 and 32).

Relevant provisions of ISQM 1 related to the above include, for example:

- The firm's responsibilities regarding relevant ethical requirements also include responsibilities related to others, including individuals in the network or network firms, or service providers (which include component auditors) (Paragraph 29(b)).
- The firm's responsibilities regarding resources include responsibilities related to the assignment of engagement team members to each engagement – including component auditors – and responsibilities relation to service providers (Paragraph 32(d) and (h)).

Leadership and Direction, Supervision, and Review Responsibilities

ISA 220 (Revised), paragraphs 13–15 include enhanced requirements relating to the leadership responsibilities of the engagement partner and the direction, supervision and review of the engagement team.

Paragraph 13 of ISA 220 (Revised) requires the engagement partner to be sufficiently and appropriately involved throughout the audit engagement such that the engagement partner has the basis for determining whether the significant judgments made, and the conclusions reached, are appropriate given the nature and circumstances of the engagement. In a group audit, in evaluating whether the group auditor will be able to be sufficiently and appropriately involved in the work of the component auditor, the group auditor may obtain an understanding of whether the component auditor is subject to any restrictions that limit communication with the group auditor, including with regard to sharing audit documentation with the group auditor. The group auditor may also obtain an understanding about whether audit evidence related to components located in a different jurisdiction may be in a different language and may need to be translated for use by the group auditor.

Paragraph 15 of ISA 220 (Revised) permits the engagement partner to assign the design or performance of procedures, tasks or actions related to the requirements of that standard to other members of the engagement team. This may be particularly useful in a group audit. For example, when the engagement team includes a large number of component auditors located in multiple locations, it may not be possible or practical for the group engagement partner to solely deal with all requirements in ISA 220 (Revised). When this is the case, the group engagement partner may assign direction, supervision and review responsibilities to other members of the engagement team and these members may assign procedures, tasks or actions further.

Paragraph 15 of ISA 220 (Revised) requires the engagement partner to continue to take overall responsibility for managing and achieving quality on the audit engagement through direction and supervision of those assigned procedures, tasks or actions and review of the work of those members of the engagement team to whom those procedures are assigned.

Paragraph 31 of ISQM 1 requires the firm to establish quality objectives that address the performance of quality engagements, including:

- The nature, timing and extent of direction and supervision of engagement teams and review of the work performed is appropriate based on the nature and circumstances of the engagements; and
- The resources assigned or made available to the engagement teams, and the work performed by less experienced engagement team members is directed, supervised and reviewed by more experienced engagement team members.

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The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC).

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