

Summary of Comments on Proposed SAS *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-To Auditors)*.

Comment Letter Number	Abbreviation in Summary of Comments	Name of Commenter
1	CLA	CliftonLarsenAllen LLP
2	COV	Commonwealth of Virginia
3	NSAA	National State Auditors Association
4	MI OAG	Michigan Office of the Auditor General
5	GAO	U.S. Government Accountability Office
6	ICPAS	Illinois CPA Society
7	RSM	RSM US LLP
8	VSCPA	Virginia Society of CPAs
9	Crowe	Crowe LLP
10	Mazars	Mazars LLP
11	OSCPA	Ohio Society of CPAs
12	Eide Bailly	Eide Bailly LLP
13	TXCPA	Texas Society of CPAs
14	Deloitte	Deloitte & Touche LLP
15	TIC	AICPA Technical Issues Committee
16	GT	Grant Thornton LLP
17	KPMG	KPMG LLP
18	PwC	PricewaterhouseCoopers LLP
19	EY	Ernst & Young LLP
20	BDO	BDO USA LLP
21	SL	SingerLewak LLP
22	John Keyser	John D. Keyser, PhD, CPA, CFE

Responses to Questions 1a – 13

Overall Opinion	Commenter	Comment	Response to Comment
1a. Does the proposed SAS have appropriate linkages to other AU-C sections and to the proposed SQMSs?			
Yes	RSM	We believe the proposed SAS has appropriate linkages to other AU-C sections and to the proposed SQMSs.	
Yes	BDO	Yes, the proposed SAS provides appropriate linkages to other AU-C sections.	
Yes	CLA	We believe the proposed SAS has appropriate linkages to other AU-C sections and to the proposed SQMS. We found these linkages especially helpful when considering ethical responsibilities of component auditors.	
Yes	COV	The proposed SAS linkages to other AU-C sections are appropriate. While we are not opposed to the linkages to the proposed SQMSs, we believe they are unlikely to have a significant effect on quality. They do, however, increase the length of the standard and potentially set precedent for future standard setting.	
Yes	Crowe	We believe the linkages and references to the proposed QM SAS, proposed SQMSs, and other relevant AU-C sections are appropriate and effective.	
Yes	Deloitte	Yes. D&T believes the proposed SAS has clear and appropriate linkages to other AU-C sections and the proposed SQMSs.	
Yes	Eide Bailly	We believe that the proposed SAS has appropriate linkages to other AU-C Sections and to the proposed SQMS standards throughout the document.	
Yes	EY	The proposed SAS generally has appropriate linkages with other standards.	
Yes	GAO	Our review of the proposed Statement on Auditing Standards (SAS) found that the linkage to other AU-C sections and to the proposed Statement on Quality Management Standards (SQMS) is sufficient.	
Yes	GT	We believe the linkages in the proposed SAS are helpful and appropriate.	
Yes	ICPAS	We believe the linkages are appropriate.	
Yes	Mazars	Yes, the proposed SAS has appropriate linkages to other AU-C sections and to the proposed SQMSs.	
Yes	MI OAG	Yes, we consider the linkages as appropriate and offer no suggested changes.	
Yes	NSAA	The proposed linkages are appropriate.	
Yes	OSCPA	The committee felt that linkages were clear and did not identify omissions.	
Yes	PwC	We generally believe the proposed SAS has appropriate linkages to other AU-C sections and to the SQMSs.	
Yes	SL	Yes, the proposed SAS as the appropriate linkage and revisions to other sections where applicable.	
Yes	TIC	Yes, a considerable amount of direct linkage within the standard and application material was noted by TIC.	
Yes	TXCPA	The proposed SAS has appropriate linkages to other AU-C sections and to the SQMSs.	
Yes	VSCPA	The Committee believes the proposed SAS provides the appropriate linkages to other AU-C sections and to the proposed SQMSs.	
Yes	BDO	[The proposed SAS provides] adequate emphasis that the proposed SAS builds on the requirements within other AU-C sections, including the proposed QM SAS.	

Overall Opinion	Commenter	Comment	Response to Comment
Suggestions	GT	There are a variety of areas that we believe can be enhanced by additional application material or clarification of the language used in the requirements.	
Suggestions	PwC	There are some areas that could be further clarified within the proposed SAS, and additional special considerations in a group audit that the ASB could explore.	
1b. Does the proposed SAS sufficiently address the special considerations in a group audit as they relate to applying the requirements and application material in other relevant AU-C sections, including the proposed QM SAS? Are there other special considerations for a group audit that you believe have not been addressed in the proposed SAS?			
Yes	CLA	Overall, we believe the proposed SAS sufficiently addresses special considerations in a group audit.	
Yes	COV	The proposed SAS sufficiently addresses the special considerations of a group audit as they relate to applying the requirement.	
Yes	Crowe	We also believe the special considerations in a group audit are sufficiently included and addressed in the proposed SAS.	
Yes	Deloitte	[The proposed SAS] sufficiently addresses the special considerations in a group audit as they relate to applying the requirements and application material in other relevant AU-C sections including the proposed QM SAS.	
Yes	Eide Bailly	The proposed SAS sufficiently addresses the special considerations in a group audit as they relate to applying the requirements and application material in other relevant AU-C sections, including the proposed QM SAS.	
Yes	EY	[The proposed SAS] adequately addresses special considerations in a group audit as they relate to applying the requirements and application materials in other relevant AU-C sections.	
Yes	GAO	We believe that the proposed SAS sufficiently addresses the special considerations in a group audit with respect to applying the requirements and application material in other relevant AU-C sections.	
Yes	Mazars	Except as discussed below, the proposed SAS sufficiently addresses the special considerations in a group audit as they relate to applying the requirements and application material in other relevant AU-C sections, including the proposed QM SAS.	
Yes	MI OAG	Yes, the proposed SAS appropriately applies the requirements and application materials of the other relevant AU-C sections.	
Yes	NSAA	The proposed SAS sufficiently addresses the special considerations of a group audit as they relate to applying the requirement.	
Yes	RSM	We believe the proposed SAS sufficiently addresses the special considerations in a group audit as they relate to applying the requirements and application material in other relevant AU-C sections, including proposed Statement on Auditing Standards, <i>Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards</i> (the proposed QM SAS).	
Yes	SL	Yes, the proposed SAS sufficiently addresses the special considerations in a group audit, as it relates to other AU-C sections, and the QM SAS.	
Yes	TIC	Yes, TIC believes applicable elements as well as details about who is in or out of scope given the various scenarios are sufficiently addressed in the proposed SAS.	
Yes	TXCPA	The proposed SAS has sufficiently addressed the special considerations pertaining to other relevant AU-C sections and the proposed SQMSs.	
Yes	VSCPA	The proposed SAS sufficiently address the special considerations in a group audit.	
1b. Are there other special considerations for a group audit that you believe have not been addressed in the proposed SAS?			

Overall Opinion	Commenter	Comment	Response to Comment
OK as is	COV	[We] do not have any additional special considerations for a group audit that were not addressed.	
OK as is	Eide Bailly	We don't have additional special considerations for a group audit that haven't already been addressed.	
OK as is	MI OAG	We have not identified any other considerations to be addressed.	
OK as is	NSAA	[We] do not have any additional special considerations for a group audit that were not addressed.	
OK as is	RSM	We are not aware of any other special considerations for a group audit that have not been addressed in the proposed SAS.	
OK as is	SL	We are not aware of other special considerations that have not been addressed.	
OK as is	TIC	No additional special considerations were noted by TIC.	
OK as is	TXCPA	The PSC believes that all relevant considerations for a group audit have been addressed in the proposed SAS.	
Suggestions	GT	<p>We ask the Board to consider the following items related to the proposed QM SAS (now SAS 146).</p> <ul style="list-style-type: none"> • Paragraph 31b – We believe this paragraph requires additional guidance to assist auditors in understanding how to accomplish such a review in a group audit. We do not believe it is practical to assume that an auditor can summarize all significant judgments for an engagement partner to review directly. Instead, we believe it is more operational for the engagement partner to take responsibility for such reviews with the assistance from others. • Paragraph 34 – This paragraph could also be enhanced with application guidance specific to group audits as it may be difficult for the group engagement partner to be aware of all formal communications made by a component auditor to (1) management, (2) those charged with governance, or (3) regulatory authorities, some of which may also not pertain to the audit of the group financial statements. • Paragraph 41b – It is unclear how this requirement interacts with paragraph 76 of the group audits proposed SAS. We believe application guidance that addresses this interaction and the expectations for the group engagement partner regarding component consultations would be beneficial. <p>In addition, we encourage the Board to add the following language to paragraph A14 of the new Statement on Quality Management Standards (SQMS) 1 to help bridge the gap between guidance provided in SAS 146 and the application of such guidance in the other sets of standards that would be subject to SQMS 1.</p> <p style="padding-left: 40px;">Referred-to auditors are not members of the engagement team. Referred-to auditors are not component auditors. Likewise, in an examination or review engagement, when a firm determines to make reference to the examination or review of another auditor, accountant, or practitioner, the other auditor also is not a member of the engagement team.</p> <p>We also recommend adding the following guidance in paragraph A91 of SQMS 1 to further clarify the various resources that may be used in an engagement subject to SQMS 1.</p> <p style="padding-left: 40px;">Determining whether another auditor, accountant, or practitioner is a resource or an information source depends on the particular circumstances. For example, a component auditor is a</p>	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>resource used in performing a group audit, but a referred-to auditor is an information source, as a referred-to auditor’s report provides information to be used as audit evidence. Similarly, a service auditor that issues a report on a service organization’s controls is an information source and not a resource, unless the service organization is requested to perform further procedures for purposes of the particular engagement. A predecessor auditor, accountant, or practitioner is not a resource.</p>	
Suggestions	ICPAS	<p>We question how a group auditor gains comfort with a component auditor of a foreign company that conducts the audit in a foreign language. Although supervision and communication with the different component auditors are discussed in paragraphs A82-A85, overcoming language barriers is not specifically addressed. We suggest application guidance as to the approach to dealing with this situation (such as using an intermediary to interpret) and related supervision requirements as well as guidance regarding a situation where a client wants to use a local firm that speaks a different language than the group auditor. We refer to our response in #4 regarding the impact of different firm methodologies.</p>	
Suggestions	Mazars	<p>Paragraph 74b. includes a requirement to communicate with those charged with governance of the Group “instances where the group auditor’s review of the work of a component auditor gave rise to concern about the quality of that component auditor’s work, and how the group auditor addressed the concern.” While we believe this requirement is intended to be a follow up to the requirement in paragraph 74a. related to communication of planned involvement in the work to be performed by component auditors, we are concerned that the standard, as written, will lead to inconsistent application. We expect that the interpretation of what rises “to a concern about the quality of that component auditor’s work” will be inconsistently applied given the lack of application material and that there may be unconscious bias in that judgement when assessing component auditors from the group auditor’s firm or network versus when the component auditor in an unrelated, competitor firm. As a result, we are concerned that the standard will not fully achieve its intentions related to communications with those charged with governance.</p>	
1c. Does the proposed SAS result in a group audit that achieves the objectives of the proposed QM SAS?			
Suggestions	PwC	<p>There are some areas that could be further clarified within the proposed SAS, and additional special considerations in a group audit that the ASB could explore, to ensure the proposed SAS achieves the ASB’s objectives in revising it as well as the objectives of SAS 146.</p> <p>It is important that the requirements in the proposed SAS are clear insofar as how they interact with requirements in the newly approved quality management standards, particularly SAS 146, <i>Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards</i> (referred to in the question as the QM SAS) and the new Statement on Quality Management Standards (SQMS) 1, <i>A Firm’s System of Quality Management</i>. In our view, the application material in the proposed SAS is helpful to understand how the requirements in both SAS 146 and the proposed SAS are to be applied in the context of group audits. However, due to the complexities that may exist in a group audit, it is likely questions will arise during the implementation of SAS 146 and the proposed SAS, in particular with respect to direction, supervision and review of the work of component auditors. We encourage the ASB to monitor questions and issue additional guidance, if necessary, about how</p>	

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		<p>the requirements in SAS 146 would be applied in a group audit. After the proposed SAS is implemented, the ASB should seek feedback from the Peer Review Board and others to understand whether the proposed SAS and SAS 146 are achieving their intended objectives.</p> <p>As we noted in our response to the exposure draft of the proposed quality management standards, today’s audits are being performed with increasingly diverse and distributed delivery models that leverage technology, other tools, and working practices to increase the effectiveness and efficiency of audit work. As entities and audits become more distributed, it is often necessary to involve others, such as component auditors, to assist the engagement partner in directing, supervising, and reviewing the engagement.</p> <p>Effective interaction between the group auditor and component auditors is important to audit quality, and we agree that the engagement partner needs to be sufficiently and appropriately involved throughout the audit to be able to take overall responsibility for the quality of the group audit engagement. However, we think it important that there be shared accountability for quality when firms use component auditors.</p> <p>We agree with the following points highlighted in SAS 146:</p> <ul style="list-style-type: none"> ● AU-C section 600 provides guidance on how to adapt and apply the requirements of SAS 146 in an audit of group financial statements involving component auditors. ● When others such as component auditors perform supervisory and review activities, the outcomes of those activities can be taken into account by the engagement partner in fulfilling their responsibilities in SAS 146. For example, the engagement partner may find it necessary to seek input from others with responsibilities for direction, supervision, and review to make determinations (i) about whether sufficient and appropriate resources are assigned or made available to the engagement team in a timely manner; and (ii) that members of the engagement team and others collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement. ● The group engagement partner exercises professional judgment when determining the nature and extent of the review of component auditor work in a group audit. <p>We also agree with retaining the US concept of dividing responsibility by making reference to another auditor’s opinion on the audit of a component in the group auditor’s report on the group financial statements. We agree it is helpful for the ASB to develop a new definition of a “referred to auditor” and to clarify that they are not considered a component auditor and therefore note part of the engagement team for a group audit.</p> <p>The proposed SAS generally appears to result in a group audit that achieves the objectives of SAS 146, and strikes an appropriate balance between the responsibilities of the group engagement team and component auditors. However, we encourage the ASB to consider whether it is sufficiently clear</p>	

Agenda Item 3A – Group Audits, Comment Letter Summary

Overall Opinion	Commenter	Comment	Response to Comment
		that component auditors are responsible for the performance of their work in accordance with AICPA standards, in particular SAS 146.	
Yes	CLA	We believe the proposed SAS will help auditors in effectively managing quality at the group engagement level and, as a result, achieve the objectives of the proposed QM SAS.	
Yes	COV	We believe the proposed SAS results in a group audit that achieves the objectives of the proposed QM SAS	
Yes	Deloitte	[The proposed SAS] results in a group audit that achieves the objectives of the proposed QM SAS.	
Yes	Eide Bailly	The objectives of the proposed QM SAS are achieved within the proposed SAS for group audits.	
Yes	EY	[The proposed SAS] achieves the objectives of the proposed QM SAS.	
Yes	GAO	We also believe that the proposed SAS results in a group audit that achieves the objectives of the proposed SQMS.	
Yes	ICPAS	Yes, we believe so.	
Yes	Mazars	Yes, we believe the proposed SAS results in a group audit that achieves the objectives of the proposed QM SAS.	
Yes	MI OAG	Yes, we think it will.	
Yes	NSAA	We believe the proposed SAS results in a group audit that achieves the objectives of the proposed QM SAS.	
Yes	RSM	We believe meeting the requirements of the proposed SAS should result in a group audit that achieves the objectives of the proposed QM SAS.	
Yes	SL	Yes, the proposed SAS will result in a group audit that achieves the objectives of the proposed QM SAS.	
Yes	TIC	Yes, TIC believes the objectives of the proposed SAS are achieved.	
Yes	TXCPA	The proposed SAS supports the objectives of the proposed QM SAS.	
Yes	VSCPA	The proposed SAS results in a group audit that achieves the objectives of the proposed QM SAS.	
Suggestions	PwC	<p>We generally believe the proposed SAS sufficiently addresses the special considerations in a group audit, with the exception of our views that follow on (i) changes to the definition of engagement team with respect to independence and ethics in a group audit; (ii) how the engagement partner can direct, supervise, and review the work of a component auditor that is not part of the same network as the group engagement team; and (iii) considerations relating to sharing audit evidence across the group audit.</p> <p><i>Implications of changes to the definition of engagement team with respect to independence and ethics in a group audit</i></p> <p>We believe the implications of the change in SAS 146 to include component auditors within the definition of engagement team are unclear, particularly in terms of compliance with independence and ethical requirements. While group auditors and component auditors today communicate about breaches of independence requirements, the variety of ethical requirements that could apply in a group audit may present legal and other challenges that have not been fully considered (e.g., in relation to confidentiality and sharing of information). This is likely to be heightened when component auditors are not from within the same network as the group engagement team – such circumstances are increasing as a result of mandatory audit firm rotation in some jurisdictions.</p>	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>We note that the International Ethics Standards Board for Accountants (IESBA) has a current project to align the definition of the term “engagement team” in its International Code of Ethics for Professional Accountants with the revised definition in ISA 220 (Revised),¹ and establish provisions that comprehensively address independence considerations for firms and individuals involved in a group audit. We believe it is urgent for the PEEC to determine and conclude on whether there are implications to the AICPA’s Code of Professional Conduct as a result of the IESBA’s work and the changes to the definition of the engagement team in SAS 146. Changes to the AICPA Code of Professional Conduct could result in the need for additional guidance to enable auditors to consistently apply the requirements in the standards. A coordinated approach between the ASB and PEEC to consider their respective standards and guidance that is finalized before SAS 146 and the proposed SAS become effective will be essential.</p> <p><i>Execution of responsibilities related to direction, supervision, and review when the component auditor is not part of the same network</i></p> <p>It would be helpful to add additional application material to paragraph A81 to assist engagement partners in complying with paragraph 30 of the proposed SAS, which discussed the engagement partners’ responsibility for the nature, timing, and extent of direction, supervision, and review when component auditors are from non-network firms. While paragraphs A23-A24 of SAS 146 note that the engagement partner may need to take different actions when dealing with an individual from another firm, this application material is focused solely on understanding competence, capabilities, compliance with ethical requirements, and independence and not other aspects of SAS 146.</p> <p>In principle, when a component auditor is not part of the same network, we would expect that efforts to understand matters such as the competence and capabilities of the component auditor would focus on inquiry, knowledge of and prior experience with the component auditor, and consideration of publicly-available information that might indicate concerns with the quality of the component auditor’s work (including communications regarding the component auditor’s professional competence from professional bodies, licensing authorities, or other third parties). Importantly, the nature and extent of these efforts will depend on how the component auditor is being used and the facts and circumstances of the engagement. Communications from the component auditor would also be taken into account. If based on this, the group auditor has concerns about the competence and capabilities of the component auditor, the planned involvement in the work of the component auditor would likely increase, or the group auditor might ultimately conclude it is inappropriate to use the component auditor.</p> <p>To facilitate consistent application in practice when the component auditor is not part of the same network (and therefore may not be subject to the same policies and procedures), the ASB could consider developing application guidance that incorporates the following:</p>	

¹ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

Overall Opinion	Commenter	Comment	Response to Comment
		<ul style="list-style-type: none"> ● At the commencement of the engagement, communication with the component auditor regarding their own responsibilities for direction, supervision, and review in accordance with SAS 146 and obtaining acknowledgement of compliance ● Throughout the audit, understanding the areas on which the engagement partner at the component has devoted attention ● Similar to paragraph 28 of the proposed SAS, considering whether publicly-available information about the results of the monitoring and remediation process or external inspections related to the component auditor indicate there may be specific concerns related to direction, supervision, and review <p>There may be other considerations that could be addressed when the group auditor and component auditor are not part of the same network and therefore do not have common systems of quality management, including in relation to the group auditor’s consideration of the use of technological resources. This may be an area where non-authoritative guidance outside of the proposed SAS may be helpful to explain what may be appropriate in the circumstances.</p> <p><i>Considerations relating to sharing audit evidence across the group</i></p> <p>While the proposed SAS seeks to clarify the role of shared service centers, we believe this is an area that may continue to give rise to questions. Increasing centralization of accounting and reporting processes into shared service centers by group entities means that audit work related to those processes also needs to be performed on a centralized basis to obtain audit evidence that will be relevant to group audits, audit work at components, and stand-alone statutory audits. This has implications for component audits, including with regard to how they can use evidence obtained from testing at a shared service center (which is often performed by the group auditor or another component auditor). This circumstance is not considered in the ISAs or existing AICPA standards. We believe there is merit in the ASB considering whether the proposed SAS or a separate project could address how component auditors across the group are able to demonstrate that they have fulfilled their responsibilities in relation to evaluating the sufficiency and appropriateness of the shared evidence without duplicating effort.</p>	
2. With respect to the structure of the proposed SAS, do you support the placement of sub-sections throughout the proposed SAS that highlight the requirements when component auditors are involved or when reference is made to the audit of a referred-to auditor in the auditor’s report on the group financial statements?			
Suggestions	GAO	It is helpful to users of the standard to include subsections on the requirements when component auditors are involved or when a referred-to auditor’s audit is mentioned in the auditor’s report on the group financial statements. The ASB can take additional measures to make the subsections related to component auditors and referred-to auditors clearer within the requirements. For example, using icons,	

Overall Opinion	Commenter	Comment	Response to Comment								
		<p>underlining, or other formatting could visually highlight the component auditor and referred-to auditor subsections.</p> <p>We believe that the proposed standard can be further clarified by making changes to the title and selected headings to enhance the auditor’s understanding and ensure continuity in terminology and interconnectedness within the standard.</p> <p>We also suggest that the ASB consider updating the headings in the proposed SAS to be consistent with and descriptive of the respective content and to enhance the auditors’ understanding and ability to apply the standards consistently. We suggest the following as possible considerations for improving clarity and consistency.</p> <table border="1" data-bbox="516 532 1732 971"> <thead> <tr> <th data-bbox="516 532 1121 581">Proposed SAS</th> <th data-bbox="1131 532 1732 581">GAO Proposal (in red text)</th> </tr> </thead> <tbody> <tr> <td data-bbox="516 589 1121 670">Scope of This Proposed Statement on Auditing Standard</td> <td data-bbox="1131 589 1732 670">Scope of This Proposed Statement on Auditing Standards (page 20)</td> </tr> <tr> <td data-bbox="516 678 1121 792">Evaluating the Component Auditor’s Communications and the Adequacy of The Work</td> <td data-bbox="1131 678 1732 792">Evaluating the Component Auditor’s Communications and the Adequacy of the Component Auditor’s Work (page 36)</td> </tr> <tr> <td data-bbox="516 800 1121 971">Exhibit A — Relevancy of Requirements in Various Group Audit Scenarios (Ref: par. 12, 58a, A64)</td> <td data-bbox="1131 800 1732 971">Exhibit A — Relevancy of Requirements in Various Group Audit Scenarios (Ref: par. 12, 58a, A164) (page 104)</td> </tr> </tbody> </table>	Proposed SAS	GAO Proposal (in red text)	Scope of This Proposed Statement on Auditing Standard	Scope of This Proposed Statement on Auditing Standard s (page 20)	Evaluating the Component Auditor’s Communications and the Adequacy of The Work	Evaluating the Component Auditor’s Communications and the Adequacy of the Component Auditor’s Work (page 36)	Exhibit A — Relevancy of Requirements in Various Group Audit Scenarios (Ref: par. 12, 58a, A64)	Exhibit A — Relevancy of Requirements in Various Group Audit Scenarios (Ref: par. 12, 58a, A164) (page 104)	
Proposed SAS	GAO Proposal (in red text)										
Scope of This Proposed Statement on Auditing Standard	Scope of This Proposed Statement on Auditing Standard s (page 20)										
Evaluating the Component Auditor’s Communications and the Adequacy of The Work	Evaluating the Component Auditor’s Communications and the Adequacy of the Component Auditor’s Work (page 36)										
Exhibit A — Relevancy of Requirements in Various Group Audit Scenarios (Ref: par. 12, 58a, A64)	Exhibit A — Relevancy of Requirements in Various Group Audit Scenarios (Ref: par. 12, 58a, A164) (page 104)										
Suggestions	GT	<p>We appreciated the “Considerations When Component Auditors Are Involved” subheadings and found them helpful. However, we felt the headings one level “below” those were easily lost, since they are the same font size and type as the paragraphs themselves. By way of example, refer to the heading above proposed paragraph 27. We ask the Board to consider whether different formatting, such as underlining, would be possible to enhance their visibility among the paragraphs. We feel the lack of visibility could create challenges for auditors attempting to navigate the requirements, especially as the Board continues to issue lengthier standards.</p>									
Yes	BDO	<p>We are supportive of the structure of the proposed SAS, and the placement of sub-sections therein. The placement of the sub-sections support the scalability objective of the standard, for example, in circumstances where component auditors are not involved in the group audit. Additionally, incorporating relevant considerations when component auditors are involved throughout the proposed SAS highlights the importance of timely involvement of component auditors during various phases of the audit.</p>									
Yes	CLA	<p>We found the organization and structure of the proposed SAS to be helpful and support the placement of the subsections relating to the component auditor and referred-to auditor.</p>									

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Overall Opinion	Commenter	Comment	Response to Comment
Yes	COV	We support the placement of sub-sections throughout the proposed SAS that highlight the requirements when component auditors are involved or when reference is made to the audit of a referred-to auditor in the auditor's report on the group financial statements.	
Yes	Crowe	Yes. We find that both the subsections for specific requirements when component auditors are involved and the separate paragraphs in the standard for requirements when referred-to auditors are involved are an effective way to convey those requirements.	
Yes	Deloitte	Yes. D&T is supportive of the placement of sub-sections throughout the standard and believes it enhances the clarity of the applicability of requirements and application material.	
Yes	Eide Bailly	The placement of the sub-sections is helpful and simplifies when an auditor is looking for guidance when component auditors or referred-to- auditors are involved in group audits. These sub-headings in conjunction with Exhibit A which highlights the required paragraphs will be helpful when auditors are trying to determine the requirements in various scenarios. We support the placement of these sub-sections throughout the proposed SAS.	
Yes	EY	Yes, we support the placement of subsections throughout the proposed SAS that highlight the requirements when component auditors are involved.	
Yes	ICPAS	Yes.	
Yes	Mazars	Yes, we support the placement of sub-sections throughout the proposed SAS.	
Yes	MI OAG	We support the placement of sub-sections throughout the SAS that highlight the requirements when component auditors are involved or when reference is made to a referred-to auditor. Such placement allows for efficient research on topics without referring to another AU-C section.	
Yes	NSAA	We support the placement of subsections throughout the proposed SAS that highlight the requirements when component auditors are involved or when reference is made to the audit of a referred-to auditor in the auditor's report on the group financial statements.	
Yes	OSCPA	Section headings and exhibits added clarity on when the sections were applicable.	
Yes	PwC	<p>Yes, the sub-sections in each section of the standard clearly set out considerations for the group engagement team when component auditors are to be involved in the group audit. These sub-sections are helpful when navigating the standard and provide clarity over which requirements apply in a given engagement's circumstances.</p> <p>These sub-sections also aid the scalability of the standard and may be particularly helpful to smaller group audit engagements performed entirely by the group engagement team (for example, if the group entities are all audited by the same team from a single office).</p>	
Yes	RSM	We support the placement of sub-sections throughout the proposed SAS that highlight the requirements when component auditors are involved, or when reference is made to the audit of a referred-to auditor in the auditor's report on the group financial statements. We believe the proposed structure will be very helpful as it will enable an auditor to quickly identify and differentiate the requirements for the particular situation.	
Yes	SL	Yes, the structure and placement of the sub-sections are reasonable throughout the proposed SAS. It follows the path of the current AU-C in terms of AU-C numbers, making sections easy to navigate as readers follow through the regular AU-C with this proposed SAS as an enhancement.	
Yes	TIC	Yes, the placement of these sub-sections is supported by TIC.	

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Yes	TXCPA	The PSC supports the placement of subsections in the proposed SAS that emphasize the requirements when component auditors are involved and the references made regarding a referred-to auditor in a group audit.	
Yes	VSCPA	The Committee supports the placement of the sub-sections throughout the proposed SAS as this benefits auditors of group audits.	
3. Is the scope and applicability of the proposed SAS clear? In that regard, is the definition of group financial statements, including the linkage to a consolidation process, clear?			
Definition of GFS is clear	Deloitte	Yes. D&T believes the scope and applicability of the proposed SAS, as well as the definition of group financial statements, is clear.	
Definition of GFS is clear	GAO	We support the definition of group financial statements, including the linkage to a consolidation process.	
Definition of GFS is clear	GT	[We] believe the definition of group financial statements is reasonably clear.	
Definition of GFS is clear	Mazars	Yes, the scope and applicability of the proposed SAS, including the definition of group financial statements is clear.	
Definition of GFS is clear	PwC	We also support the intent of the change in definition of group financial statements and the linkage to a consolidation process.	
Definition of GFS is clear	RSM	We also believe the definition of group financial statements, including the linkage to a consolidation process, is generally clear.	
Definition of GFS is clear	TIC	The definition of group financial statements [is clear], including the linkage to a consolidation process.	
Definition of GFS is clear	TXCPA	The definition of group financial statements and the linkage to a consolidation process are clear in the proposed SAS.	
Definition of GFS is unclear	BDO	We find the linkage between the definition of the “group financial statements” and “consolidation process” could be ambiguous under certain fact patterns that are common in practice. The application guidance in paragraphs A4 and A5 attempts to distinguish between two scenarios involving a single legal entity, where one involves the aggregation of financial information while the other doesn’t. Many legal entities are capable of maintaining discrete financial information associated with separate locations, branches, divisions, or product lines within a single general ledger system. For example, a retail entity may be capable of maintaining discrete financial information by individual store locations. The process of aggregating the financial information associated with retail store locations in this example is different from aggregating financial information prepared by one or more branches or divisions of a group that maintain separate information systems and general ledgers. We recommend providing further clarity in the application material regarding the concept of “aggregation” of financial information of entities that is relevant to the definition of group financial statements and the term <i>consolidation process</i> used in the proposed SAS to avoid any unintended consequences, including inconsistent application in practice.	
Definition of GFS is unclear	CLA	We recommend the ASB provide more application guidance or other materials (e.g., a flowchart or decision tree) to help auditors with determining whether an engagement includes group financial statements, which is therefore subject to the scope of the proposed SAS.	
Definition of GFS is unclear	COV	We noted that the clarified SAS removes the link of a group financial statement and components, which broadens the business units that could qualify for group financial statements. Specifically, paragraph	

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		<p>A4 states “a single legal entity may be organized with more than one business unit ... when those business units have characteristics such as separate locations, separate management, or separate information systems.” We believe the inclusion of “or” within the guidance is improper in a government environment as many business units have separate locations and separate management that are aggregated into a single legal entity’s financial statements; and, in many cases, we would not expect those to create a group audit scenario.</p> <p>To align with the audit requirements for components throughout the proposed SAS, we conceptually believe it is more logical to define a group as components aggregated through a consolidation process. To assist the auditor in identifying components (or business units) that trigger the group audit requirements, the Board should further clarify the relevant criteria for assessing the extent to which separate locations, management, and information systems represent components (or business units) of a group. The following are questions the Board may consider in providing this guidance:</p> <ul style="list-style-type: none"> • Location: Does the mere physical presence of the business unit within a separate building constitute a different location? Does the proximity of the business unit location to the group have any effect on the assessment (i.e., street address, campus, town, county, state, country)? • Management: In a government environment, authority may be delegated to various levels of management. For example, in producing an Annual Comprehensive Financial Report (ACFR), a Governor may delegate responsibility to an agency to produce the ACFR by aggregating financial information from other agencies. As it relates to aggregated Executive branch agencies, is the Governor and his or her administration considered management, or should consideration also be given to differences in agency-level management? • Information Systems: Does the significance of information systems to the financial statements (i.e., the general ledger) affect the assessment of the group? For example, if a business unit uses the same general ledger system as the group, but uses its own capital assets system, does the number of separate systems or materiality of financial amounts within the capital assets system affect the auditor’s assessment? 	
Definition of GFS is unclear	Eide Bailly	<p>The definition of the group financial statements provides helpful information in conjunction with the application and explanatory material. However, we have the following thoughts related to paragraphs A29-A31 and the consolidation process.</p> <p>We believe this is an area that creates some confusion in practice and additional examples would be helpful. As a suggestion, should there be a more detailed example perhaps expanding the financial institution example which is already introduced in paragraph A4. This paragraph discusses operating in separate locations with multiple branches and how the separate characteristics, such as separate management or separate information systems (including a separate general ledger) are aggregated and how such financial statements meet the definition of group financial statements. Should this same financial institution example be expanded within paragraph A31 by demonstrating if a bank has a holding company or other legal entity combined with the financial institution that is required to be consolidated? This may demonstrate the difference between aggregation risk considerations for an entity with multiple branches verses the aggregation risk considerations of consolidations. Another</p>	

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		<p>common occurrence is when management, controls, processes, and information systems are the same for a group of consolidated entities. Consequently, some groups of consolidated entities may have less aggregation risk than others, which could significantly impact component materiality evaluations and audit approaches. Expanding A31 could provide needed practice guidance in applying the standard to varying risk considerations. This would be particularly helpful as paragraph A7 appears to indicate that an engagement team could reach a conclusion that there's no aggregation risk in a consolidation when legally separate entities are under same management, controls, and information systems, etc.</p> <p>For considerations specific to Government Entities, paragraph 3 of the Exposure Draft references the AICPA Audit and Accounting Guide for <i>State and Local Governments</i> which is a non-authoritative guide. We believe it would be beneficial to expand the application and explanatory material with specific examples for Government entities as opposed to referencing a non-authoritative guide. A common simple example that could be added is when a component unit is blended into a reporting unit. Another very common example is when the aggregate remaining reporting unit includes a number of unrelated activities under the same management, controls, process, and information systems and contrasting when there are disaggregated elements of the reporting unit.</p>	
Definition of GFS is unclear	NSAA	<p>However, with respect to the definition of group financial statements, specifically the linkage to a consolidation process, we ask the board to clarify the guidance in paragraph A4. Currently, this paragraph indicates the mere existence of multiple locations, separate management, or separate information systems for which financial data is consolidated meets the definition of group financial statements. Particularly in the case of larger governments, there may be cases of a single entity with multiple locations, hierarchical structures of government with delegated management authority, and cases where the general ledger system may be the same but a particular financial system, such as capital asset management software, may be different. In such scenarios, treatment as a group audit may not be appropriate. We ask the board to consider limiting the definition of a group audit to the consolidation element rather than the multiple business unit approach.</p>	
Definition of GFS is unclear	OSCPA	<p>The committee appreciates the principles-based determination of a group financial statement that is highlighted in A4 for situations in which a single legal entity's financial statement could be deemed a group financial statement. The considerations noted in A4 and A5 used in making this determination, including having separate locations, separate management and separate information systems, the committee found as reasonable. We questioned, however, whether those same considerations could be used to conclude that a consolidated financial statement would not be a group financial statement; for example, if the separate legal entities have similar locations, management, and information systems. The definition of group financial statements in paragraph 16 appears to require that all consolidations would be within the group audit scope, however the committee feels there are situations in which closely held entities which legally may be consolidations, do not encompass the same risks and features that the group audit standards are intended to address.</p> <p>The committee recommends that in addition to the examples in A4 and A5, a third example be provided to support and illustrate that the principles-based guidance can also be used to exclude a consolidated entity from being a group financial statement.</p>	

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Definition of GFS is unclear	VSCPA	The Committee believes the scope and applicability of the proposed SAS lacks clarity when detailing business units that comprise the group financial statements. We believe the proposed standard would benefit from additional clarity on what constitutes a business unit.	
Scope and applicability are clear	CLA	We found the scope and applicability of the proposed SAS to be clear.	
Scope and applicability are clear	Crowe	We believe the scope and applicability of the proposed SAS is clear. Further, the application guidance will be helpful to auditors when making the significant judgment of identifying the components in a group audit.	
Scope and applicability are clear	Deloitte	Yes. D&T believes the scope and applicability of the proposed SAS...is clear.	
Scope and applicability are clear	Eide Bailly	Yes, we believe that the scope and applicability of the proposed SAS provides more clarity about the scope compared to the extant standards.	
Scope and applicability are clear	EY	We support the approach to the scope and applicability of the proposed SAS except as it relates to investments accounted for by the equity method. See our response to Question 9 for further comments.	
Scope and applicability are clear	GAO	The scope and applicability of the proposed SAS are clear.	
Scope and applicability are clear	GT	We do not have significant concerns with the scope and applicability of the proposed SAS.	
Scope and applicability are clear	ICPAS	Yes, we believe the scope and applicability of the proposed SAS is clear.	
Scope and applicability are clear	Mazars	Yes, the scope and applicability of the proposed SAS, including the definition of group financial statements is clear.	
Scope and applicability are clear	NSAA	We believe the scope and applicability of the proposed SAS are clear.	
Scope and applicability are clear	PwC	Scope and applicability are clear. We appreciate that the proposed SAS gives further guidance on how to consider shared service centers when planning and performing a group audit, as these structures are becoming ever more integral to record-keeping and financial reporting, and as a result, are of increasing importance to an auditor's understanding of the group's system of internal control.	
Scope and applicability are clear	RSM	We believe the scope and applicability of the proposed SAS is generally clear.	

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Scope and applicability are clear	TIC	Yes, it's TIC's position that the scope and applicability of the proposed SAS is clear.	
Scope and applicability are clear	TXCPA	The scope and applicability of the proposed SAS...are clear in the proposed SAS.	
Scope and applicability are unclear	COV	We believe that the scope and applicability of the proposed SAS lacks clarity when detailing business units that comprise the group financial statements.	
Scope and applicability are unclear	MI OAG	We suggest the Board consider going beyond paragraph 3's reference to the Audit and Accounting Guide for State and Local Governments and add a section of "Considerations Specific to Governmental Entities", similar to other AU-C sections. These considerations would address group audits of governmental component units.	
Scope and applicability are unclear	SL	It is mostly clear, but there is still some ambiguity in regard to smaller, less complex entities that have different entities established for risk mitigation or through prior acquisitions. Some of these entities are structured to have a single or overall accounting department with the same system of internal control and, while certain portions of the operations are maintained separately, the financial information is not presented as disaggregated for external reporting purposes (particularly paragraph A127 in AU-C section 320 and the reference to what is defined as financial information that is disaggregated, as either internal only, or externally presented). Question 9 We appreciate the statement that component performance materiality does not need to be an arithmetical calculation based on materiality.	
Scope and applicability are unclear	VSCPA	The Committee believes the scope and applicability of the proposed SAS lacks clarity when detailing business units that comprise the group financial statements. We believe the proposed standard would benefit from additional clarity on what constitutes a business unit.	
4a . Do you believe the proposed SAS is scalable to groups of different sizes and complexities, recognizing that group financial statements, as defined in the proposed SAS, include the financial information of more than one entity or business unit? If not, what suggestions do you have for improving the scalability of the proposed SAS?			
No	COV	We believe that the scalability of the proposed SAS is dependent on clarifying the definition of a business unit, as mentioned in the response for Request for Comment 3. If separate locations, management, or information systems independently qualify as individual business units without application of professional judgement, implementation may be inefficient in a government environment.	
No	Eide Bailly	Scalability is a more challenging concept to apply in group audits than in other standards. In other standards, scalability is an opportunity to adapt to less complex environments. In this standard, the primary requirements are identifying the components, assessing aggregation risks, and developing responses to those risks. Accordingly, it's difficult to apply scalability considerations to these requirements. The most helpful guidance regarding potential scalability, as noted in our responses above regarding paragraphs A4, A7, and A31, is to develop application guidance that helps auditors determine when consolidations and certain other activities are not considered a group audit and/or do not have material aggregation risks. Additionally, upon determining that the audit is of a group financial	

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		statement, if there are opportunities to scale based on different sizes and complexities of group audits, the application guidance should provide more robust illustrations of such considerations.	
No	VSCPA	The Committee believes the scalability of the proposed SAS is dependent upon clarification of the definition of a business unit as mentioned in comment 3.	
No	SL	The proposed SAS is somewhat scalable to groups of different sizes and complexities. Possibly more examples of entities with less complexity where group audit procedures may be limited or reduced.	
Yes, with suggestions	BDO	<p>The proposed SAS is generally scalable to groups of different sizes and complexities and provides for increased flexibility and alignment with the principles of a risk-based audit approach in planning and performing a group audit.</p> <p>While the proposed SAS is adaptable to a wide variety of circumstances, it does present additional practical challenges for the group engagement partner seeking to comply with the responsibilities in the proposed QM SAS with respect to determining compliance of component auditors with the relevant ethical requirements and the sufficiency and appropriateness of engagement resources, particularly on larger and more complex group audits that require extensive involvement of component auditors. These challenges are heightened in circumstances involving component auditors that are not part of the same network as the group auditor.</p>	
Yes, with suggestions	GT	<p>We found the proposed requirements to be reasonably scalable in terms of execution of risk assessment and further audit procedures. We have some practical concerns with regard to certain of the requirements specifically designated for execution by the group engagement partner, as described in proposed paragraph 13. Refer to our feedback to Question 7 below.</p> <p>We also believe the proposed standard could be enhanced by providing additional application material with regard to how the auditor may use a completed audit of a component for purposes of the group audit. We encourage the Board to add application material to proposed paragraph 32a to explain that understanding the group may include understanding applicable statutory audit requirements of components and the timing of such audits. We believe this information can help inform (1) the group auditor's consideration of where risks of material misstatement may arise within components and (2) the appropriate response to such risks. See also our response to Question 9 below.</p> <p>We also believe that certain clarifications to proposed paragraph A144 will enhance the scalability and understandability of the guidance provided. We submit the following edits for the Board's consideration.</p> <p style="padding-left: 40px;">In response to the assessed risks of material misstatement, the group auditor may determine the following scope of work to be appropriate at a component (with the involvement of component auditors, as applicable):</p> <p style="padding-left: 80px;">Design and perform further audit procedures on the entire financial information of the component <u>(for example, when a component auditor is asked to perform an audit, adapted as necessary, of the component financial information for purposes of the group audit)</u></p>	

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		<p style="text-align: center;">Design and perform further audit procedures on one or more classes of transactions, account balances, or disclosures</p> <p style="text-align: center;">Perform specific further audit procedures <i>designed by the group auditor</i></p> <p>We also recommend adding an example similar to the first bullet above to proposed paragraph A120.</p> <p>Finally, in considering the existing requirements of AU-C section 300, we believe it is most appropriate to limit “key members of the engagement team” to the individuals that meet the definition of “group auditor” as defined in the proposed SAS. We believe that there could be unintended consequences of including component auditors as key engagement team members. As such, we recommend revising proposed paragraph A64 as shown below. We believe this edit clearly delineates what the group auditor is ultimately responsible for while also acknowledging that the component auditor can contribute to planning activities.</p> <p style="text-align: center;">AU-C section 300 requires the engagement partner and other key members of the engagement team to be involved in planning the audit. When component auditors are involved, one or more individuals from a component auditor may assist be key members of the engagement team and therefore involved in planning the group audit.</p> <p>Such changes would also address the potential inconsistency in definitions and requirements between the proposed SAS and AU-C section 300. Paragraph .05 of AU-C section 300 requires the engagement partner and other key members of the engagement team to be involved in planning the audit, including planning and participating in the discussion among engagement team members. Planning an audit, as described in paragraph .02 of AU-C section 300, involves establishing the overall audit strategy and audit plan. The definition of group auditor, however, recognizes that the group auditor, which excludes component auditors, is responsible for establishing the overall group audit strategy and group audit plan. Including component auditors as key engagement team members can potentially blur a firm’s responsibilities for the group audit opinion and also challenge whether the independence requirements would differ for such individuals, particularly when such individuals are outside the firm’s network.</p>	
Yes, with suggestions	ICPAS	<p>We believe that the proposed SAS is scalable to groups of different sizes and complexities. However, when applying the risk-based approach prescribed in the proposed SAS, if the group audit firm differs from the component audit firm, use of different audit methodologies may present an issue. We see this as a challenge in terms of scalability of the standard, particularly in instances where there is a sub-consolidation performed by the component auditor. We would like to see more guidance or tools on how the use of different audit methodologies by the component auditors is addressed by the group auditor, such as instances where testing approaches differ (i.e., sample sizes utilized for both tests of controls and tests of details).</p>	
Yes, with suggestions	Mazars	<p>Yes, we believe that the emphasis on an auditor’s professional judgement makes the proposed standard scalable to different sizes and complexities of groups. However, we are concerned that the lack of guidance on how to determine the extent of work to be performed on components will lead to diversity in practice. We recommend that the development of implementation guidance be considered related to scoping by component.</p>	

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Yes, with suggestions	NSAA	Our only concern is related to the scalability to larger governments per our response to question three.	
Yes, with suggestions	OSCPA	The committee agreed that the proposal is scalable in principle, but would like more examples and implementation materials regarding the application of concepts to varying circumstances.	
Yes, with suggestions	PwC	<p><i>Scalability</i></p> <p>While we generally believe the proposed SAS is scalable to groups of different sizes and complexities, further guidance is necessary in a number of areas to promote more consistent application of the principles-based requirements in the proposed SAS.</p> <p>It is important that the proposed SAS supports auditors in being able to scope and plan the audit based on the nature and circumstances of the group, and recognizes the important roles both group and component auditors play in contributing to group audit quality. In this regard, it is important that, in moving away from some well-recognized concepts in extant AU-C section 600 (e.g., significant components), the ASB is satisfied that the proposed SAS continues to support high-quality group audits, including consistent judgments about scoping of the group audit and the nature, timing, and extent of the involvement of component auditors.</p> <p>For example, extant AU-C section 600 established specific requirements when a significant component is identified by the group engagement team, which is defined as a component that (i) is of individual financial significance to the group, or (ii) due to its specific nature or circumstances, is likely to include significant risks of material misstatement of the group financial statements. While we appreciate that the proposed SAS is aimed at promoting a risk-based approach rather than a quantitative exercise, we are concerned that the important principles underpinning these extant requirements are not given sufficient prominence, which could impact quality. We suggest changes to the application material to reinforce auditor judgments made in applying the requirements in paragraphs 24 and 39 of the proposed SAS. We believe certain concepts contained in the PCAOB's standards could be incorporated to drive further consistency in the US in terms of these judgments about how best to address risks of material misstatement in the group financial statements. We also believe further examples as to when specific further audit procedures may be used would be helpful. See paragraphs A59 and A145 in Appendix 2</p> <p><i>Review of component auditor work</i></p> <p>Also with regard to question 4a, we note the new requirement in paragraph 49 for the group auditor to determine whether, and the extent to which, it is necessary to review additional component auditor documentation. We believe it is important that the group auditor be able to exercise professional judgment in relation to the nature, timing, and extent of review of the work of component auditors, taking into account the two-way communication that has occurred throughout the audit. In many cases, the group auditor may not consider it necessary to obtain and review audit documentation beyond what</p>	

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		is required to be provided by, and discussed with, the component auditor in accordance with paragraphs 47-48 of the proposed SAS.	
Yes	CLA	We believe the principles-based approach makes the application of the requirements in the proposed SAS more scalable. The clarification of the roles and responsibilities of the engagement partner combined with the removal of prescribed approaches to significant components provides flexibility to respond appropriately to identified risks and improves efficiencies in group audits.	
Yes	Crowe	We believe the proposed SAS reflects a principles-based approach designed to allow auditors to focus on the risks of material misstatement in the group financial statements while appropriately considering and addressing aggregation risk.	
Yes	Deloitte	Yes. D&T acknowledges the ASB's commitment to including scalability within the proposed SAS and believes the proposed SAS is capable of being applied to the audits of entities with a wide range of sizes, complexities, and circumstances.	
Yes	EY	We believe the proposed SAS is scalable.	
Yes	GAO	We believe the proposed SAS is scalable to groups of different sizes and complexities.	
Yes	MI OAG	Yes, we believe the proposed SAS is scalable between large and small governments.	
Yes	RSM	We believe the proposed SAS is scalable to groups of different sizes and complexities. We note that the standard properly focuses on identifying, assessing and responding to the risks of material misstatement using a principles-based approach that is adaptable to a wide variety of circumstances and scalable for audits of groups of different complexity. This allows the group auditor to determine an appropriate approach to obtaining sufficient appropriate audit evidence to address assessed risks of material misstatement of the group financial statements.	
Yes	TIC	Yes, the proposed SAS is scalable to groups of different sizes and complexities.	
Yes	TXCPA	The PSC believes that the proposed SAS is scalable to audit groups of various sizes and complexities.	
4b. Do you believe that the guidance in exhibit A, "Relevancy of Requirements in Various Group Audit Scenarios," of the proposed SAS is understandable and provides clarity on the relevancy of certain requirements of the proposed SAS in various group audit scenarios? Would the relevancy of certain requirements of the proposed SAS in various group audit scenarios be clear without exhibit A?			
Clear, Necessary (with suggestions)	CLA	We found exhibit A of the proposed SAS to be useful. We suggest the AICPA provide additional guidance to help firms with the implementation of the proposed SAS for each of the scenarios in exhibit A.	
Clear, Necessary (with suggestions)	NSAA	Broadly, we believe Exhibit A to be understandable and that it provides clarity on the relevancy of certain requirements of the proposed SAS in various group audit scenarios. This exhibit should remain in the final standard and it is helpful to have this material in one location, particularly given that some requirements are common across scenarios. One suggestion for improved clarity would be the reconsideration of including paragraph 36 as a relevant requirement for Scenarios 1 and 3. The titles for Scenarios 1 and 3 may lead users to conclude that no component auditors are involved which would make the inclusion of paragraph 36 confusing.	

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Clear, Necessary (with suggestions)	OSCPA	The committee found exhibit A to be very helpful for clarity in the applicability of sections of the draft, and suggests that exhibit A be put in the front of the draft instead of in the appendix (“start here”).	
Clear, Necessary	BDO	We found exhibit A to be understandable and demonstrative of the scalability in the proposed SAS, particularly for less complex group audits, where the group auditor does not involve component auditors and/or does not make reference to the audit of a referred-to auditor.	
Clear, Necessary	COV	The guidance in exhibit A is very helpfully and it should remain within the proposed SAS.	
Clear, Necessary	Eide Bailly	We believe that the guidance in Exhibit A, “Relevancy of Requirements in Various Group Audit Scenarios” is understandable and provides clarity on the relevance of certain requirements of the proposed SAS in various group audit scenarios. We don’t believe Exhibit A should be removed, as without Exhibit A there could be more variances in practice in determining the application of the standards within various scenarios.	
Clear, Necessary	GAO	The guidance in exhibit A is understandable and provides needed clarity on the relevancy of certain requirements of the proposed SAS in various group audit scenarios, and it should be retained.	
Clear, Necessary	ICPAS	We believe while the proposed SAS in various group audit scenarios is clear without exhibit A, exhibit A is understandable and provides a useful reference point for practitioners to identify the relevant requirements for their respective fact patterns.	
Clear, Necessary	Mazars	Yes, the guidance in exhibit A is understandable and provides clarity on the relevancy of certain requirements of the proposed SAS in the group audit scenarios presented. Given the consistent identification of which proposed SAS paragraphs relate to both component auditor and referred-to auditor scenarios, the relevancy of such requirement would be clear without exhibit A. However, we believe that the inclusion of exhibit A is a useful guide for practitioners.	
Clear, Necessary	MI OAG	Yes, we consider exhibit A as straightforward and understandable and have no suggested edits. While readers should be able to interpret the provisions of the proposed SAS without exhibit A, we think the exhibit provides clarity to apply the standards consistently among the various scenarios and it should remain in the final standard.	
Clear, Necessary	RSM	We believe the guidance in Exhibit A, “Relevancy of Requirements in Various Group Audit Scenarios,” of the proposed SAS is understandable and provides clarity. We believe the relevancy of the requirements of the proposed SAS in various group audit scenarios would be clear without Exhibit A; however, Exhibit A provides a very helpful reference.	
Clear, Necessary	SL	Exhibit A is very helpful and the proposed SAS would not be clear without Exhibit A.	
Clear, Necessary	TIC	Yes, the guidance in exhibit A is understandable and provides clarity on the relevancy of certain requirements of the proposed SAS in various group audit scenarios. TIC supports the retention of exhibit A.	
Clear, Necessary	VSCPA	Exhibit A is helpful and should remain within the proposed SAS.	
Clear, Unnecessary	Crowe	We do not believe that exhibit A is necessary for auditors to understand the requirements of the proposed SAS, including the requirements when utilizing referred-to auditors. However, we have no	

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Unclear, Necessary	GT	<p>objection to the inclusion of the exhibit, as it may be helpful for auditors to validate that their audit plan will comply with the relevant requirements in the proposed SAS.</p> <p>We found Exhibit A very helpful and encourage the Board to retain it with the final standard. While we believe that auditors would be able to determine the relevancy of requirements, this exhibit leaves little margin for doubt and is an efficient approach to navigating the requirements.</p> <p>That said, there are a few items on which we request clarification. First, it is unclear why each scenario begins with paragraph 12 of the proposed standard when the requirements section does not begin until paragraph 18. We believe it is the Board’s intention to only address the requirements section of the proposed standard and, therefore, recommend revising each scenario to begin with paragraph 18.</p> <p>Additionally, for Scenarios 1 and 3, we note that paragraph 36 is included as a relevant requirement. However, paragraph 36 is under the heading “Considerations When Component Auditors Are Involved.” We believe proposed paragraph 36 is not intended to apply only when component auditors are involved. We recommend deleting the heading and revising the paragraph as follows.</p> <p style="padding-left: 40px;">In applying AU-C section 315, the group auditor should evaluate whether the audit evidence obtained from the risk assessment procedures performed by the group auditor, and component auditors <i>when applicable</i>, provides an appropriate basis for the identification of assessment of the risks of material misstatement of the group financial statements.</p>	
Unclear, Necessary	PwC	<p>Exhibit A is understandable and provides clarity to help auditors navigate the standard for circumstances applicable to their audits. This may need to be supplemented with additional guidance to support the auditor’s consideration of the nature, timing, and extent of direction, supervision, and review that may be necessary in relation to different types of group audits, including circumstances in which the group auditor and component auditor are not from the same network.</p>	
Unclear, Necessary	TXCPA	<p>Exhibit A provides vital guidance in implementing the proposed SAS and enhances clarity and understanding of the proposed requirements. It might be helpful to simplify exhibit A to include scenarios that do not have multiple complex issues in a single example.</p>	
Unclear, Unnecessary	KPMG	<p>The relevancy of certain requirements in the proposed SAS in various group audit scenarios is sufficiently clear without exhibit A because of the placement of sub-sections throughout the proposed SAS that highlight such requirements. Despite the introductory paragraphs in exhibit A reminding group auditors that they are “required to have an understanding of the entire text of this proposed SAS, including its application and other explanatory material, to understand its objectives and apply its requirements properly”, we have concerns over implementation in practice. Specifically, the content in exhibit A may be misinterpreted as if only the requirements presented in tabular format in exhibit A are applicable in various group audit scenarios, which could lead to misapplication of the proposed SAS and a negative impact to audit quality.</p> <p>If the Board determines exhibit A should be retained in the final SAS, and as we understand exhibits to be authoritative in nature, we offer the following recommendation for the Board’s consideration to further enhance clarity of exhibit A. We note that the relevant requirements in tabular format begin with paragraph 12 of the proposed SAS. We recommend the Board to include references to paragraphs 1-</p>	

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		11 as applicable for completeness, or further clarify why the relevant requirements included in exhibit A begin with paragraph 12 (when requirements in the proposed SAS start with paragraph 18).	
5. Do you support the enhanced requirements and application material on documentation, including the linkage to the requirements of AU-C section 230?			
Yes	BDO	We support and agree with the enhancements to the documentation requirements.	
Yes	CLA	We support the enhanced requirements and application material on documentation.	
Yes	COV	We support the enhanced requirements and application material on documentation, include the linkage to the requirements of AU-C section 230.	
Yes	Crowe	We believe the documentation requirements in the proposed SAS, when considered along with the requirements of AU-C section 230, are appropriate and complete.	
Yes	Deloitte	Yes. D&T is supportive of the enhanced requirements and application material on documentation.	
Yes	Eide Bailly	We support the enhanced requirements and application materials on documentation and the linkage to the requirements of AU-C Section 230.	
Yes	EY	We support the enhanced requirements and application material on documentation in the proposed SAS.	
Yes	GAO	We support the enhanced requirements and application materials on documentation.	
Yes	GT	We support the enhanced documentation requirements and application material, including the linkage to existing requirements of AU-C section 230.	
Yes	ICPAS	We support the enhanced documentation requirements as presented in paragraph 76 of the proposed SAS.	
Yes	Mazars	Yes, we support the enhanced requirements and application material on documentation, including the linkage to the requirements of AU-C section 230.	
Yes	OSCPA	The committee found the documentation requirements very consistent with current practices and did not identify any omitted documentation requirements.	
Yes	PwC	We do not have concerns about the enhanced requirements and application material on documentation.	
Yes	RSM	We support the enhanced requirements on documentation, including the linkage to the requirements of AU-C section 230.	
Yes	TIC	TIC supports the enhanced requirements and documentation materials.	
Yes	TXCPA	The PSC supports the enhanced requirements of documentation, including linkage to the requirements of AU-C section 230. The PSC did not note any significant changes from current practice. The linkage to SQMS is critical due to emphasis on risk-based audit processes. The PSC also thought that if documentation was restricted, the result would be hesitancy to utilize component auditors.	
Yes	VSCPA	The Committee supports the enhanced requirements and application material on documentation.	
5a . Are there specific matters that you believe should be documented other than those described in paragraph 76 of the proposed SAS?			
Additions	CLA	The ASB should consider requiring documentation of the requirements in 59.c ii relating to appropriateness of conversion entries.	
Additions	Crowe	Paragraph 76.i. requires documentation of “The group auditor’s evaluation of, and response to, <i>findings or conclusions</i> of the component auditors or referred-to auditors about matters that could have a material effect on the group financial statements.” We are unsure how this requirement is distinguished from 76.g.ii. and 76.h.iii, which require documentation of matters related to communications with component auditors and referred-to auditors, respectively, “including how the group auditor has	

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		addressed <i>significant matters</i> discussed with” component auditors and referred-to auditors, respectively. Specific to referred-to auditors, we believe that 76.i. is in part alluding to evaluating their issued auditor’s report, and whether it includes any opinion modifications or other report modifications that may be relevant to the group auditor (consistent with the requirements in paragraph 61). If that is the intent in the proposed SAS, we recommend that this be clarified by adding application guidance for paragraph 76.i.	
Additions	Eide Bailly	We believe that the specific matters identified in paragraph 76 are sufficient and relevant. However, one area that we believe can be expanded within the application material is related to the documentation requirement when the same firm conducts the audit of the component and is the group auditor. In practice, it may be common where one office/team within the same firm will conduct the audit of the component and another team/office will be the group auditor. Paragraph A74 provides some guidance related to the determination of a component auditor’s competency and capability. Paragraph A91 states that the form of communication would be affected when the group auditor and component auditor are from the same firm. Paragraph 76 states that the group auditor should include in the audit documentation all of the components noted in paragraph 76, such as competence and capability (par. 76c), the direction and supervision of the component auditors and review of their work (par. 76f). As noted in paragraphs A74, the firm’s monitoring procedures and communication is relied on in these two examples. The firm has its own monitoring procedures to identify competency and has procedures for documenting evidence of review and has various levels of review. The extent of the documentation required by the group auditor in this example when the same firm conducts the audit of the component and is the group auditor would be an example where we suggest additional application guidance would be beneficial, specifically related to competency of the auditor, direction, supervision, and review of the component auditor’s work within the same firm but different locations and teams. The application material should include whether it is expected that all of these elements are explicitly documented in the binder or is it sufficient to know that the firm’s monitoring procedures cover the requirement related to competency, supervision, and review of the component auditor within the same firm.	
Additions	ICPAS	We suggest additional discussion of risks and uncertainties that may be present at the component auditor level, including, but not limited to 1) local regulatory, 2) litigation, and 3) cyber related matters.	
Ok as is	GAO	We did not identify any additional matters that should be documented outside of those described in paragraph 76.	
Ok as is	GT	We did not identify any additional matters that we believe should be included in proposed paragraph 76. We found the application material helpful in considering how the documentation requirements may be scalable in different group audit scenarios.	
Ok as is	Mazars	There are no matters that we believe should be documented other than those described in paragraph 76 of the proposed SAS.	
Ok as is	MI OAG	No, there are no other specific matters that should be documented.	
Ok as is	NSAA	We do not believe there are any additional specific matters to be documented.	
Ok as is	PwC	We did not identify any additional matters that we believe should be documented.	
Ok as is	RSM	There are no specific matters that we believe should be documented other than those described in paragraph 76 of the proposed SAS.	
Ok as is	SL	We are not aware of additional specific matters that should be documented.	
Ok as is	TIC	None of significance were noted by TIC.	

Overall Opinion	Commenter	Comment	Response to Comment
5b. Do you agree with the application material in paragraphs A203–A219 of the proposed SAS relating to the group auditor’s audit documentation?			
No	GT	Paragraph A205 of the proposed SAS indicates that audit documentation comprises not only the documentation in the group auditor’s file but also the separate documentation in the respective component auditor files relating to the work performed by the component auditors for purposes of the group audit. While we conceptually understand the purpose of this statement, we are concerned with the potential ramifications from an audit quality as well as an inspection and regulatory perspective, particularly with respect to jurisdictions with confidentiality or professional secrecy restrictions. We encourage the Board to consider additional guidance or requirements, taking into account PCAOB standards, addressing audit documentation that would be retained in the group audit file to meet the objectives of AU-C section 230 and that would be sufficient from an external inspection perspective.	
No	OSCPA	Additional guidance would be beneficial regarding assessing component materiality.	
Yes, with suggestions	CLA	We agree with the application material in paragraphs A203-A219 in the proposed SAS. However, we have some concerns about the requirements for the final assembly and retention of a component auditor’s documentation. When the retention of component auditor documentation is outside the control of the group auditor, we believe it would be difficult for a firm to design and implement responses to address quality risks relating to the quality objective in proposed SQMS No. 1 paragraph .32f. We suggest the ASB consider enhancing the guidance in A206 of the proposed SAS to indicate that providing specific instructions to the component auditor would normally be a sufficient response to such quality risks.	
Yes, with suggestions	ICPAS	We agree with the application material in paragraphs A203–A219 of the proposed SAS, however, we suggest including reference to the sufficiency of procedures performed by the component auditor in direct response to the identified group-level assessed risks of material misstatement. By removing the requirement to identify significant components, with more targeted risk-based procedures performed at the component audit level, there is added importance on ensuring sufficient procedures have been performed on overall risks of material misstatements assessed at the group level and relevant to the component auditor.	
Yes	BDO	[We support and agree with the] related application material in the proposed SAS.	
Yes	COV	We support the enhanced requirements and application material.	
Yes	Crowe	The application guidance is comprehensive and will help auditors to evaluate the sufficiency and clarity of their documentation related to the group audit.	
Yes	Deloitte	Yes. D&T is supportive of the enhanced requirements and application material on documentation.	
Yes	Eide Bailly	We support the enhanced requirements and application materials on documentation and the linkage to the requirements of AU-C Section 230.	
Yes	GAO	We agree that the information in paragraphs A203–A219 is helpful application material.	
Yes	Mazars	Yes, we agree with the application material in paragraphs A203-A219 of the proposed SAS relating to the group auditor’s audit documentation.	
Yes	MI OAG	We agree with the application material and offer no suggested edits.	
Yes	NSAA	We agree with the application material.	
Yes	RSM	We support the enhanced requirements on documentation, including the linkage to the requirements of AU-C section 230 and the application material in paragraph A203–A219.	
Yes	SL	Yes, we agree with the application material.	
Yes	TIC	Yes, TIC agrees with this application material.	

Overall Opinion	Commenter	Comment	Response to Comment
Yes	TXCPA	Even though documentation requirements are more extensive in the proposed SAS, they are necessary. Adequate summarization of work performed by the component auditor should be required in a group audit. However, it is not necessary to obtain all documentation of work performed by the component auditor unless required to do so by separate and applicable regulations. The PSC did not note any requirements contrary to existing standards, but rather a more defined and expanded documentation requirement.	
Yes	VSCPA	The Committee supports the enhanced requirements and application material on documentation.	
6. Are the definitions of the terms referred-to auditor, component auditor, and group auditor clear, including as they relate to the definition of the term engagement team in the proposed QM SAS?			
All definitions are clear, with suggestions	Crowe	<p>We find the definitions clear and understand the need to exclude the referred-to auditor from the engagement team.</p> <p>Related to the definition of component, we note that the extant standard provides the following: “An entity or business activity for which group or component management prepares financial information that is required by the applicable financial reporting framework to be included in the group financial statements.” We believe that the preparation of financial information is a key element of the identification of a component. We recommend the ASB re-insert such language in the definition of component in the proposed SAS.</p>	
All definitions are clear	BDO	We find the definitions of these terms to be sufficiently clear, including in the context of the term engagement team in the proposed QM SAS.	
All definitions are clear	CLA	We believe the terms defined in the proposed SAS are clear, especially as they relate to auditors of governmental entities.	
All definitions are clear	Deloitte	Yes. D&T believes the definitions are clear, including as they relate to the definition of the term “engagement team.”	
All definitions are clear	Eide Bailly	The definitions provided in paragraph 16 related to component auditor and group auditor are clear. The definition of the term for referred-to auditor seems to provide more clarity than the extant standards and differentiates it from being a component auditor which is helpful to auditors in understanding the difference.	
All definitions are clear	EY	Yes, we believe definitions are clear and would help auditors understand the differences, which aren’t clear in extant AU-C section 600.	
All definitions are clear	GAO	The definitions of the terms referred-to auditor, component auditor, and group auditor are clear, including as they relate to the definition of “engagement team” in the proposed SQMS.	
All definitions are clear	GT	We support the new terms and believe the related definitions are sufficiently clear. We believe that separating referred-to auditors from component auditors will enable auditors to better understand and navigate the requirements in different group audit scenarios.	
All definitions are clear	KPMG	The definitions of the terms <i>referred-to auditor</i> , <i>component auditor</i> , and <i>group auditor</i> , within the context of the proposed SAS, are clear.	
All definitions are clear	Mazars	Yes. the definitions of the terms referred-to auditor, component auditor, and group auditor are clear in the proposed standard, including how they relate to the definition of “engagement team” per Statement on Auditing Standard No. 146, Quality Management for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards.	

Agenda Item 3A – Group Audits, Comment Letter Summary

Overall Opinion	Commenter	Comment	Response to Comment
All definitions are clear	OSCPA	The committee felt that the definitions provide greater clarity, particularly on what qualifies as a group audit.	
All definitions are clear	RSM	We believe the definitions of the terms referred-to auditor, component auditor and group auditor are clear, including as they relate to the definition of the term engagement team in the proposed QM SAS.	
All definitions are clear	TIC	Yes, TIC believes these definitions are clear and is supportive of these definitions along with the necessary clarifications they provide as related to the engagement team responsibility.	
All definitions are clear	TXCPA	The definitions of referred-to, component and group auditor were clear. It appears that the main difference between a referred-to auditor and component auditor is that the referred-to auditor is not part of the engagement team, whereas a component auditor is part of the engagement team. It is also possible for an audit firm to serve as a referred-to auditor and a component auditor. In this case, materiality of work performed to overall audit report should be the differentiating factor.	
All definitions are clear	VSCPA	The Committee believes the definitions of the terms “component auditor” and “group engagement partner” as they relate to the definition of “engagement team” are clear.	
Definition of CA is unclear	COV	We believe there is opportunity to clarify the definition of the terms “component auditor” and “group engagement partner” as it relates to the definition of the term “engagement team.” Paragraph A23 provides that component auditors may be from a group auditor’s firm. Paragraph A28 indicates that there may be joint engagement partners within a group auditor’s firm, but does not define the term “joint engagement partner.” When a group and its components are audited by different audit teams within the same firm and each audit team is supervised by a partner (or partner equivalent) under the same firmwide system of quality control, we are unclear on whether the partner responsible for auditing a component is a joint engagement partner or a component auditor.	
Definition of CA is unclear	ICPAS	The term “group engagement team” has been replaced with the term “group auditor,” and the component auditor is not included as part of the “group auditor.” We believe more clarification is warranted in order to distinguish the “group auditor” and “component auditor” within the context of the “engagement team” and to clearly delineate that the “referred-to auditor” as being outside of the “engagement team.” (Application Material A19; A23). Perhaps a diagram or flowchart would be helpful in distinguishing these concepts.	
Definition of CA is unclear	John Keyser	Paragraph 16’s definition of component does not specifically mention that an equity method investee is considered to be a component. Although this is clarified in the definition of group financial statements , the Board should consider explicitly including equity method investees in the definition of component .	
Definition of CA is unclear	NSAA MI OAG	We believe the SAS should include a definition of “joint engagement partner” which is referenced in paragraph A28. In group audits where different components are audited by separate audit teams within the same firm under the direction of separate partners or partner equivalents we are unclear as to whether these partners are “joint engagement partners” or “component auditors.”	
Definition of CA is unclear	PwC	As described in our response to question 1, we believe that uncertainty remains as to the practical implications of the change in SAS 146 to include component auditors within the definition of engagement team. One example of this is the effect on compliance with independence and ethical requirements.	
Definition of CA is unclear	SL	Regarding the consideration of component auditor, there is still some ambiguity similar to the extant standards for smaller firms that do not use other offices, affiliates or other firms to perform audits, excluding specific procedures (such as, inventory observations), and use their own team members that	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>are the same as the group engagement team (now group auditor). The smaller firms may also use another outside or network firm to audit a subsidiary, but in most cases, the group auditor performs both the role of the group auditor and component auditor at the same time. We would ask for another category or scalable considerations to the situation where the group auditor and component auditor are one and the same.</p> <p>In Paragraph 7. A recommendation is to clarify the use of component auditors outside the group engagement team, or make the last sentence refer to involvement of component auditors outside the group engagement team. While the results of the engagement could be the same, additional documentation would be needed to clarify the use of component auditors, when the teams are the same, and would expand documentation to ensure all component auditor sections documentation is performed and recorded.</p>	
Definition of GA is unclear	COV	<p>We are concerned with the wording from paragraphs 16 and A85 that, “the group auditor is responsible for directing and supervising the component auditors and review of their work.” We believe clarification should be added to identify what would constitute as directing and supervising the component auditors and reviewing their work. For example, when auditing the ACFR, does this imply the engagement partner must directly supervise and review all state audits? We feel this is not practical or efficient when other engagement partners are already supervising and reviewing those projects under the same firmwide system of quality control.</p>	
Definition of GA is unclear	NSAA MI OAG	<p>We are concerned with the language of paragraph 16 and A85 which states, “the group auditor is responsible for directing and supervising the component auditors and review of their work.”</p> <p>Specifically, in the case of a group audit of a state’s ACFR performed by the same firm, does this guidance require that the engagement partner directly supervise all component auditors within the same firm? This is not efficient and is impractical given the engagement partner and component auditors will be operating under the same firmwide system of quality control.</p> <p>We recommend broadening the definition of group auditor found in paragraph 16 to read (insertions italicized):</p> <p><i>The firm comprised of the group engagement partner and members of the engagement team, including those component auditors who are within that same firm and follow the same system of quality control as the group engagement partner. The group auditor excludes all other than component auditors.</i></p> <p>If this change is made, additional edits would be needed for paragraph A23 (insertions italicized with strikeouts).</p> <p>References in this proposed SAS to the engagement team, <i>as defined in QM SAS paragraph 12</i>, include the group auditor and component auditors. Component auditors may be from a network firm, a firm that is not a network firm, or the <i>same firm as the group engagement partner auditor’s firm (for example, another office within the group auditor’s firm)</i>. <i>In the latter case, consideration as to whether the component auditors are part of the group auditor will depend on whether that component audit’s</i></p>	

Overall Opinion	Commenter	Comment	Response to Comment
		<p><i>engagement team is under the same system of quality control as the group engagement partner.</i></p> <p>If these changes are considered, then the guidance in paragraphs 27 and 28 would need to be updated to include a reference to the group auditor, as appropriate.</p>	
Definition of RTA is unclear	ICPAS	Although we noted the definitions of referred to auditor and component auditor in paragraph 16 (Definitions), we questioned the purpose of introducing the concept of the “referred-to auditor” and how it differs from the idea of a component auditor, especially since the proposed SAS says it is equivalent to the component auditor.	
7. Is the requirement in paragraph 11 clear? (11. The engagement partner should review the overall audit strategy and audit plan.)			
Yes	BDO	Yes, we believe the conforming amendments to paragraph 11 in AU-C section 300 are sufficiently clear.	
Yes	CLA	We believe the requirements in paragraph 11 are clear.	
Yes	COV	We believe the requirement is clear.	
Yes	Crowe	We believe the proposed addition of paragraph 11 in AU-C section 300, <i>Planning an Audit</i> , is appropriate related to engagement partner responsibility. Overall, we find that the requirements in other AU-C sections combined with the requirements for the group engagement partner in the proposed SAS are sufficiently clear and appropriate.	
Yes	Deloitte	Yes.	
Yes	Eide Bailly	The requirement as written in paragraph 11 of Appendix C is clear as written.	
Yes	EY	We agree with the ASB that professional skepticism is important and support the emphasis in the proposed SAS. Paragraph 11 clearly states the requirement for the engagement team, including the group auditor, to plan and perform the group audit with professional skepticism and exercise professional judgment.	
Yes	GAO	The requirement in paragraph 11 is clear.	
Yes	ICPAS	Yes.	
Yes	Mazars	Yes, the requirements related to professional skepticism are clear and sufficient.	
Yes	MI OAG	We consider paragraph 11 and the associated application material as clear.	
Yes	NSAA	Yes, the requirements are clear.	
Yes	OSCPA	The committee found the requirements for engagement partner responsibility to be clear.	
Yes	PwC	Yes, the proposed changes to the requirement in paragraph 11 of AU-C section 300 related to the engagement partner’s review of the overall strategy and audit plan is clear. We note the effect of this change (which was approved by the ASB in finalizing SAS 146) is to extend the requirement in paragraph 19 of extant AU-C section 600 in relation to the group audit strategy and group audit plan to all audits (not just group audits).	
Yes	RSM	We believe the addition of paragraph 11 to AU-C Section 300, Planning an Audit, clarifies the group engagement partner’s responsibility to review the overall audit strategy and audit plan.	
Yes	SL	Yes, the requirement is clear.	
Yes	TIC	Yes, TIC believes this requirement is clear and reasonable as the ultimate responsibility for the engagement lies with the engagement partner.	
Yes	TXCPA	The requirement in paragraph 11 of the proposed SAS is clear. The engagement partner should design the overall audit plan and strategy and retain overall responsibility for the audit.	

Overall Opinion	Commenter	Comment	Response to Comment
Yes	VSCPA	The Committee believes the requirement in paragraph is clear.	
7. Are there additional requirements or application material relating to paragraph 11 that are needed, and if so, what should they be? (Par. 11 of AU-C 300. The engagement partner should review the overall audit strategy and audit plan.)			
Additions	CLA	We recommend the ASB consider adding “local business practices” to paragraph A17, first bullet.	
Additions	GT	We support the inclusion of a proposed requirement in order to enhance audit quality and emphasize the overall responsibility of the engagement partner (in a group audit or otherwise). However, we believe application material is necessary to address potential operational challenges, particularly in terms of group audits. In AU-C section 300, the audit plan includes, among other things, the nature, timing, and extent of further audit procedures. In large group audits, it may be impractical for the group engagement partner to directly review, without assistance from others, all details of a group audit plan. We encourage the Board to add application guidance to convey the requirement’s intended purpose and its practical application more clearly, particularly in group audits.	
Ok as is	COV	There are no additional requirements or application material that are needed related to paragraph 11.	
Ok as is	Deloitte	D&T believes the requirement in paragraph 11 is clear without additional requirements or application material.	
Ok as is	Eide Bailly	We do not have additional requests specific to this requirement.	
Ok as is	GAO	There are no additional requirements or application material needed relating to paragraph 11.	
Ok as is	ICPAS	We believe no additional requirements are needed.	
Ok as is	MI OAG	No additional guidance is necessary.	
Ok as is	NSAA	We do not believe additional requirements or application material are needed.	
Ok as is	PwC	We do not believe additional requirements or application material related to paragraph 11 are necessary. However, the ASB should consider whether additional guidance is needed if questions arise during exposure in relation to how this requirement would be implemented for all audits (e.g., in relation to how detailed the overall strategy and audit plan needs to be and how technology may be used to facilitate the development and review of the overall strategy and plan).	
Ok as is	RSM	We are not aware of the need for any additional requirements or application material relating to paragraph 11.	
Ok as is	VSCPA	There are no additional requirements or application material relating to paragraph 11 that are needed at this time.	
8. Do you agree with the deletion of this requirement and the related application paragraph? (Paragraph 14b of extant AU-C section 930, <i>Interim Financial Information</i>, is deleted. Paragraph 14b includes a reference to significant components and requires the auditor, when conducting a review of interim financial information, to obtain reports from component auditors, if any, related to reviews performed of the interim financial information of significant components of the reporting entity, including its investees, or inquire of those auditors if reports have not been issued)			
No	Crowe	Related to the proposed edit to delete paragraph 14b and related application paragraph A17 of AU-C section 930, <i>Interim Financial Information</i> , we understand the need to modify 14b because it includes the term “significant components”, which are no longer required to be identified in the proposed SAS. We note that the content in A17 is “The auditor may find the guidance in section 600, <i>Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors)</i> , useful in conducting a review of interim financial information for an entity that prepares group financial statements.” We find this content to be relevant and meaningful even with the changes in the proposed	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>SAS.</p> <p>Accordingly, we recommend that A17 be retained in AU-C section 930 and included with another paragraph in the standard, if 14b is deleted. Alternatively, paragraph 14b could be modified, rather than deleted, to remove the reference to significant components and the requirement to obtain a report.</p>	
No	GT	<p>We understand the Board's basis for proposing to delete paragraph 14b of AU-C section 930; however, we note that the Board has retained an illustrative report example making reference to a referred-to auditor's review report. We are concerned that retaining the illustrative report example while deleting paragraph 14b and its related application material could lead to confusion. We ask the Board to instead (1) revise 14b to require obtaining the referred-to auditor's review report when the auditor plans to make reference to a referred-to auditor's review report in the auditor's review report on the group interim financial statements and (2) reinstate the application material that guides the auditor to consider AU-C section 600 in such circumstances.</p>	
No	ICPAS	<p>We suggest modifying this paragraph instead of deletion of guidance altogether. Though the concept of significant components will be eliminated, we believe obtaining interim review reports on relevant elements of the reporting entity, if deemed appropriate by the group auditor to support their interim review procedures, remains an important procedure when performing the review of interim financial information under AU-C section 930.</p>	
Yes	CLA	<p>We agree with removing this requirement based on the changes in the proposed SAS and suggest relying on knowledge obtained from the audit to scope review procedures.</p>	
Yes	BDO	<p>We are supportive of eliminating the concept of "significant components" from the proposed SAS. While the requirements and related application material associated with identifying significant components provides a more structured approach to scoping a group audit, the requirements and related application guidance dictate the scope of work to be performed at a component level based on a top-level categorization of components. As the size and complexity of a group increases, for example, when the group financial statements are disaggregated across a large number of smaller components, the application of the approach described in the extant standards become increasingly challenging. We believe the proposed SAS more closely aligns with the overarching principles and objectives of conducting a risk-based audit, by focusing the group auditor's attention on determining the nature, timing and extent of audit procedures necessary at the individual component level to identify, assess and respond to risks of material misstatement of the group financial statements.</p> <p>We agree with the proposed conforming amendments to delete paragraph 14b and the related application paragraph A17 of AU-C section 930, <i>Interim Financial Information</i>. We believe this requirement in AU-C section 930 is unnecessary and should be based on the auditor's professional judgment depending on the facts and circumstances of the review engagement.</p>	
Yes	COV	<p>We agree with the deletion of the requirement and related application paragraph.</p>	
Yes	Deloitte	<p>Yes. D&T agrees with the deletion of such requirement and related application paragraph.</p>	
Yes	Eide Bailly	<p>We agree with the deletion of the removal of "significant components" and shifting this assessment to a risk-based approach which aligns more closely with auditing standards; however, it does leave more interpretation and judgement to auditors in determining an appropriate approach to obtain sufficient audit evidence and adequately address risk of material misstatement at the group</p>	

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Overall Opinion	Commenter	Comment	Response to Comment
		financial statement level. The removal of paragraph 14b of AU-C Section 930, <i>Interim Financial Information</i> , which requires the auditor to obtain reports from component auditors, if any, related to reviews performed of the interim financial information of significant components should not have that much of an impact since the group auditor is still responsible for obtaining information about components throughout the audit.	
Yes	EY	We agree with the deletion of this requirement and the related application paragraph.	
Yes	GAO	We agree with the deletion of the concept of “significant components” requirement and related application paragraph.	
Yes	Mazars	Yes, we agree with the deletion of the requirement in paragraph 14b. of AU-C section 930, <i>Interim Financial Information</i> (“AU-C 930”) and the related application paragraph. We do not believe that the deletion of such information changes the intent of the guidance in AU-C 930.	
Yes	MI OAG	We agree with the deletion of the concept of “significant components”.	
Yes	NSAA	We agree with the deletion.	
Yes	OSCPA	We agree with deleting the requirement in .14b to “obtain reports from component auditors related to reviews performed of the interim financial information of significant components of the reporting entity,” as there are no “significant components” under the proposed standard.	
Yes	PwC	Yes, we support deletion of the requirement and related application material in AU-C section 930, which required the auditor to obtain reports from component auditors, if any, related to reviews performed of the interim financial information of significant components of the reporting entity. In practice, we believe auditors would look to the proposed SAS and make appropriate requests for component auditors to be involved in an interim review if necessary to do so.	
Yes	RSM	We agree with the deletion of the requirement for the group auditor to identify and audit significant components as we believe this deletion further allows the proposed SAS to be scalable. The elimination of the concept of “significant components” supports the proposed standard’s focus on identifying, assessing and responding to the risks of material misstatement using a principles-based approach that is adaptable to a wide variety of circumstances and scalable for audits of groups of different complexity.	
Yes	SL	Yes, we agree with the deletion of this requirement as it relates to interim reviews.	
Yes	TIC	Yes, TIC agrees with the deletion of this requirement and the related application paragraph. In a private company environment, it’s not as common to have components subject to interim financial information.	
Yes	TXCPA	The PSC does not have an objection to the removal of the concept of “significant components.”	
Yes	VSCPA	The Committee agrees with the deletion of the requirement and related application paragraph.	
8. Do you have other suggestions for considering components in interim reviews now that the concept of “significant components” has been eliminated?			
Ok as is	CLA	Because these engagements are not common in our practice, we have no additional suggestions.	
Ok as is	COV	We do not have any additional suggestions for considering components in interim reviews.	
Ok as is	Deloitte	D&T is supportive of the proposed amendments to AU-C section 930, <i>Interim Financial Information</i> , without additional revisions.	
Ok as is	GAO	We have no other suggestions.	
Ok as is	MI OAG	no suggestions regarding the application of interim reviews.	
Ok as is	NSAA	[We] have no suggestions for considering components in interim reviews.	
Ok as is	VSCPA	We do not have any other suggestions for considering components in interim reviews at this time.	

Overall Opinion	Commenter	Comment	Response to Comment
Suggestions	EY	<p>We suggest that the ASB add a requirement under paragraph 14c for auditors conducting a review of interim financial information to make the following additional inquiry of management:</p> <p><i>xiii. whether component auditors engaged to review interim financial statements of components, if any, communicated any material modifications that should be made to interim financial statements for them to be in accordance with the applicable financial reporting framework.</i></p> <p>The application paragraph in extant AU-C 600 would still be appropriate to support this requirement.</p>	
Suggestions	OSCPA	The proposal should still provide the option to obtain such reports if based on the risk assessment, it is deemed necessary to do so for a particular component.	
Suggestions	TXCPA	The reason for the elimination is not clear. Consideration of materiality of a component should be considered when exercising a risk-based approach to the audit.	
9. Do you agree with the application material in paragraphs A47–A49 of the proposed SAS relating to a noncontrolling interest in an entity that is accounted for by the equity method?			
No	CLA	We agree with the application material in paragraphs A47 – A48 of the proposed SAS. However, we believe paragraph A49 should be removed as the guidance relates to accounting standards and is unnecessary in the context of a group audit standard.	
No	Crowe	<p>It is our understanding that an auditor should only be following the guidance in paragraph A48 if the group financial statements include a noncontrolling interest in an entity that is accounted for by the equity method investment (which reflects a risk of material misstatement to the group financial statements) and the group auditor’s access to information or people at the entity is restricted. This would preclude the group auditor being able to audit the equity method investment themselves or through the involvement of a component auditor.</p> <p>We note that A48 indicates that the group auditor may be able to use “audited financial statements” as audit evidence. We are concerned that a group auditor may interpret this that, even if they do not have specific access restrictions at the entity, they can directly apply A48 and obtain audited financial statements for the equity method investment and “take credit” for the substantive audit work performed on the equity method investment, without any interactions with the auditor of the equity method investment.</p>	
No	Eide Bailly	The application material in paragraphs A47-A49 is clear. However, paragraph A49 suggests that restrictions on access to information or people of the equity method entity is an indicator that challenges management’s assertion on accounting for the investment under the equity method. Current accounting guidance regarding equity method investments does not address restricted access in determining the extent of influence. Is it the intent of the standard to introduce additional considerations in determining the application of accounting standards? We recommend that A49 be removed or be updated to more clearly connect an auditor’s evaluation of management’s assertion of the extent of influence in applying the accounting standards.	

Overall Opinion	Commenter	Comment	Response to Comment
No	EY	<p>Though we agree with the application material regarding access restrictions, we believe the proposed guidance does not sufficiently address the common situation of group management and the group auditor not having sufficient access to component management, those charged with governance of the component, or the component auditor. Specifically, when the group has a non-controlling interest in an entity that is accounted for by the equity method, the group auditor is often not able to establish an arrangement with the investee auditor or investee management under which the group engagement team would direct the activities of the investee auditor and review its audit documentation.</p> <p>We recommend that the ASB consider aligning the SAS with the PCAOB’s approach. We believe the PCAOB’s amendments offer a practical framework to design and execute a quality audit when investee auditors are involved. Additionally, having consistent US auditing standards would eliminate unnecessary complexity and inconsistencies in practice.</p> <p>We are concerned that differences between this proposed SAS and the PCAOB’s amendments relating to the <i>Supervision and Audits Involving Other Auditors</i> would create unnecessary complexity and inconsistencies in practice. Under the PCAOB’s amendments, the auditor reporting on an EMI would not always be considered a component auditor, and the results of that auditor’s procedures would fall under the scope of PCAOB Auditing Standard (AS) 1105, <i>Audit Evidence</i>.</p> <p>We agree with and support the PCAOB’s approach in this matter (see section VII. Other Matters in Appendix 4 of PCAOB Release No. 2022-002), specifically that the group auditor should not be required to direct and supervise the work of the investee auditor in executing its audit separate from the group audit, and thus, it is possible that the investee auditor would not be considered a component auditor (i.e., not part of the engagement team). This approach would address situations in which the group auditor is unable to direct the activities of an investee auditor, as described above.</p> <p>Further, we support the PCAOB’s amendments, which allow a group auditor to use the work and report of the investee’s auditor in situations in which the valuation of an investment is based on the investee’s financial results by evaluating the sufficiency and appropriateness of audit evidence. We believe this principles-based approach will enable the group auditor to exercise professional judgment to scale its procedures to the facts and circumstances of the audit.</p> <p>We recommend that the ASB converge its final standard with that of the PCAOB with respect to investee auditors, given the potential for diversity in practice.</p>	
No	KPMG	<p>Investments accounted for using the equity method (that is, EMIs) are considered components and the requirement for the group auditor to exercise the same level of direction, supervision, and review of the component auditor of an EMI as the component auditor of a consolidated entity has always been, and</p>	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>continues to be, a challenging area in practice on group audit engagements. This applies under both the extant AU-C section 600 and the proposed SAS. While paragraphs A47-A49 and A10 are helpful, we do not believe they fully resolve the implementation challenges as it relates to the group auditor’s responsibilities over component auditors of EMIs. While there is conceptual merit to treating the EMI as a component, the practical reality is that group management generally has less power, influence, and oversight over the EMI, particularly when compared to a consolidated entity. As a result, the same challenges extend to the group audit engagement, where the group auditor has less inherent ability to direct and oversee the component auditor of the EMI. These practical challenges exist under extant AU-C section 600 and will continue under the proposed SAS.</p> <p>One example may be where the component audit of the EMI is already completed prior to the start of the group audit. In this case, the group auditor likely has no ability to direct or oversee the component auditor’s work over the financial statements of the EMI that is already completed, and yet as stated in paragraph A10, “in any event, the requirements of this proposed SAS apply, including those relating to the direction and supervision of component auditors and the review of their work”.</p> <p>We note that this issue was deliberated as part of the PCAOB’s standard-setting project, <i>Supervision of Audits Involving Other Auditors</i>. We observe that “under the proposed amendments in the PCAOB’s 2016 proposal and the 2017 Supplemental Request for Comment, the investor’s auditor in such equity method investment situations would have been in the position of a lead auditor [under PCAOB standards], and thus required to supervise the work of the investee’s auditors in accordance with AS 1201” (i.e. the group auditor would be required to exercise the same level of direction and supervision over the component auditor of an EMI as the component auditor of a consolidated entity, consistent with extant AU-C 600 and proposed SAS). However, as discussed in the PCAOB’s 2021 Second Supplemental Request for Comment (2021 SSRC) 2, the PCAOB acknowledged that it has received comments that “the investor’s auditor may not be able to establish an arrangement with the investee’s auditor or investee management under which the investor’s auditor would direct activities of the investee’s auditor and review its audit documentation or obtain information from investee management”.</p> <p>After considering the comments received, the PCAOB stated in the 2021 SSRC that they are “no longer proposing to require that the investor’s auditor supervise the investee’s auditor’s work under AS 1201, for example, in equity method investment situations”. “Instead, in such situations, the investor’s auditor would look to the requirement of Appendix B of the evidence standard (AS 1105), which describe the auditor’s responsibilities for obtaining sufficient appropriate evidence in situations in which the valuation of an investment is based on the investee’s financial results.” The 2021 SSRC includes proposed amendments to AS 1105 Appendix B paragraph B1 which states: “Financial statements of the investee that have been audited by an auditor (“investee’s auditor”) whose report is satisfactory, for this purpose, to the investor’s auditor may constitute sufficient appropriate evidence.” The 2021 SSRC proposed further amendments that “the [investor’s] auditor may consider performing procedures such as making inquiries as to the professional reputation, standing, and independence of the investee’s auditor (under the applicable standards), visiting the investee’s auditor and discussing the audit procedures followed</p>	

Overall Opinion	Commenter	Comment	Response to Comment
		and the results thereof, and reviewing the audit program and/or working papers of the investee's auditor".	
No	PwC	<p>We believe the application material in paragraph A10 of the proposed SAS relating to circumstances in which the auditor intends to use work already performed on component financial statements for purposes of the group audit is helpful, as is the specific application material in paragraphs A47-A49 relating to a noncontrolling interest in an entity that is accounted for by the equity method when access is restricted.</p> <p>We believe, however, that there may be merit in being more clear that the guidance in paragraphs A47-A49 may be more widely applicable and suggesting an alternative approach to obtaining audit evidence in relation to equity method investees.</p>	
Yes	BDO	We are in agreement with application material.	
Yes	COV	We agree with the application material in paragraphs A47-A49 relating to a noncontrolling interest in an entity that is accounted for by the equity method.	
Yes	Deloitte	Yes. D&T agrees with the application material in paragraphs A47–A49 and, in particular, supports the application material in A48 that audited financial statements, including financial statements audited by a referred-to auditor, may be used as audit evidence relating to a noncontrolling interest in an entity that is accounted for by the equity method.	
Yes	GAO	We agree with the application material in paragraphs A47–A49 of the proposed SAS relating to a noncontrolling interest in an entity that is accounted for by the equity method.	
Yes	Mazars	Yes, we agree with the application material relating to a noncontrolling interest in an entity that is accounted for by the equity method and believe it is sufficient.	
Yes	MI OAG	We agree with the application material in paragraphs A47-A49 and offer no suggested edits.	
Yes	NSAA	We agree with the application material in paragraphs A47 - A49 relating to a noncontrolling interest in an entity accounted for by the equity method.	
Yes	RSM	We agree with the application material in paragraphs A47–A49 of the proposed SAS relating to a noncontrolling interest in an entity that is accounted for by the equity method.	
Yes	SL	Yes, we agree with the application material in paragraphs A47 to A49.	
Yes	TIC	Yes, TIC agrees with the application material. TIC noted it is consistent with the current approach and relatively simple to apply.	
Yes	TXCPA	The PSC generally agrees with the application material in paragraphs A47-A49 of the proposed SAS. The material adequately provides guidance on addressing difficulties obtaining financial information from a noncontrolling interest. The examples in the proposed guidance are also helpful.	
Yes	VSCPA	The Committee agrees with the application material in paragraphs A47-A49 of the proposed SAS relating to a noncontrolling interest in an entity accounted for by the equity method.	
9. Are there additional requirements or application material relating to EMIs that are needed in the proposed SAS, and if so, what should they be?			
Additions	COV	We believe there is an opportunity to include additional application material relating to EMIs that addresses additional suggested procedures if an EMI does not receive a separate audit, and therefore, no assurance can be placed on that audit.	
Additions	Crowe	We are also concerned that, despite the last paragraph of A48, a group auditor may believe that obtaining the audited financial statements for the equity method investment (when not using the investee's auditor as a referred-to auditor) is sufficient appropriate audit evidence to conclude on the	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>financial information of the equity method investment included in the group financial statements. Without the performance of substantive audit procedures by the group auditor or interactions with the auditor of the equity method investment, we believe these procedures would only represent risk assessment procedures performed by the group auditor. The audit response for the equity method investment should be based on the group auditor’s risk assessment. For some equity method investments, risk assessment procedures alone may be an appropriate response for the group auditor but for other equity method investments, the group auditor will be required to perform further audit procedures. The discussion with A48 references “professional judgment”; however, we believe examples within the guidance to illustrate how differences in the risk assessment may impact the procedures performed by the group auditor would be helpful and contribute to more consistent performance by group auditors.</p>	
<p>Additions</p>	<p>EY</p>	<p>Additional application material relating to equity method investments (EMI) would be helpful to address practical challenges in applying ED-600 and proposed 600 SAS to EMIs.</p> <p>We believe that if the ASB decides to finalize its proposal, it would need to provide additional guidance to avoid diversity in practice. That is, we believe more guidance is needed to help auditors understand how to audit EMIs as components under the proposed SAS.</p> <p>We agree that an EMI has characteristics of a component, but we note that an entity accounts for an EMI differently than it accounts for a legal entity, branch or geography under consolidation accounting and makes different disclosures. Specifically, the financial position and results of an EMI are presented in the group financial statements in a note to the financial statements, and the only financial statement line items affected are investment in the EMI and equity in net income of the EMI. We believe this is a significant difference that would warrant different procedures from those performed for a component that is a legal entity, branch or geography. Notably, we believe the determination of planning materiality and scoping of significant accounts would be different for EMIs.</p> <p>To illustrate, consider a group audit that comprises 12 components, which include 10 consolidated legal entities and two EMIs. In the group financial statements, revenue would include the revenue of the 10 consolidated legal entities. Thus, a misstatement in the revenue of one component would represent a misstatement in the consolidated revenue of the group, but a misstatement in the revenue of one EMI would not affect the consolidated revenue of the group and would only affect the equity in net income account. We believe additional guidance could address diversity in practice regarding the following:</p> <ul style="list-style-type: none"> ▶ How the group auditor should consider risks of material misstatement in the underlying EMI financial statements ▶ How to identify significant accounts in an EMI component when the significant accounts are consolidated and presented as different significant accounts on the group financial statements 	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>(i.e., revenues and expenses of the EMI component are consolidated and presented as the equity in net income)</p> <p>► How to determine component materiality for a consolidated component and an EMI component</p> <p>Practical guidance on how to apply ED-600 to EMIs, specifically as it relates to the above matters, would help drive consistency in practice.</p>	
Additions	GT	<p>Auditing equity-method investments (EMIs) can introduce a unique set of challenges; we appreciate the Board’s proposed application guidance in this area. When we compared the extant application material to the proposed application material, we noted one concept that appears to be missing. Extant paragraph A23 discusses, in part, the following.</p> <p style="padding-left: 40px;">If the component is not a significant component and the group engagement team has a complete set of financial statements of the component, including the auditor’s report thereon, and has access to information kept by group management regarding that component, the group engagement team may conclude that this information constitutes sufficient appropriate audit evidence regarding that component.</p> <p>We acknowledge that the notion of “significant component” does not exist in the proposed SAS. However, we believe it would be beneficial to auditors if the proposed application material discusses the possibility that a complete set of financial statements of a component, including the auditor’s report thereon, may constitute sufficient appropriate audit evidence when the group auditor has access to information kept by group management regarding that component. We recommend incorporating this into the first bullet of proposed paragraph A48. Consideration may also be given to the PCAOB’s recently adopted standards and the definition of “investee auditor.”</p>	
Additions	KPMG	<p>Revising the proposed SAS and incorporating the relevant requirements for the investee auditor into AU-C 501.05, <i>Investments in Securities When Valuations are Based on Investee’s Financial Results</i>, similar to the PCAOB’s 2021 SSRC may be beneficial. The proposal outlined in the PCAOB’s 2021 SSRC strikes the right balance by defining “investee’s auditor” (i.e. component auditor over EMI) as a separate term and establishing a different level of group auditor requirements over the investee’s auditor. This approach recognizes the reality that EMIs are different from consolidated entities and thus the group auditor’s oversight of the audit of EMIs should be subject to differing requirements.</p> <p>We acknowledge that the guidance in paragraph A173 of the proposed SAS provides one potential solution, where the group auditor can make reference to the audit of the EMI as referred-to auditor in response to the practical challenges outlined above. However, the PCAOB’s 2021 SSRC also preserved the ability to make reference and we share the PCAOB’s view that separate requirements for the investee’s auditor are necessary in addition to the ability to make reference to referred-to auditor. We also acknowledge that our proposal for the Board to align with the PCAOB in this area would create</p>	

Overall Opinion	Commenter	Comment	Response to Comment
		a divergence from the ISA 600 [Revised]. However, we believe the Board has an opportunity to make practical enhancements in this area that are necessary and in the public interest in the United States. Such enhancements will address the group auditor’s practical challenges related to direction, supervision, and review of component auditors of an EMI, and the ultimate improvement to audit execution and scalability will justify the divergence in this case.	
Additions	NSAA MI OAG	We request the board consider adding guidance that addresses situations where no assurance exists in cases where EMIs do not receive separate audits.	
Additions	PwC	In its Other Auditor project, we note that the PCAOB has decided to no longer require the investor’s auditor to supervise the investee’s auditor’s work in accordance with AS 1201. Appendix B of AS 1105, which was finalized in connection with the PCAOB’s Estimates project, provides helpful context in evaluating the relevance and reliability of audit evidence associated with the valuation of investments based on investee financial results. Other proposed amendments to AS 1105 clarify that the group auditor’s (lead auditor’s in PCAOB terminology) assessment of audit evidence associated with audited financial statements of equity method investees is not intended to classify the investee’s auditor as a component auditor (other auditor in PCAOB terminology).	
Additions	SL	In relation to EMI, there should be consideration of a separate concept of component performance materiality. For example, an EMI that is 30% owned by the group, should not have a component performance materiality of a comparative 100% owned component, as the risk of aggregated misstatements and risk of material misstatement represented by the 30% ownership is significantly less than another component of the same size. Expansion on determining component performance materiality for EMI would be helpful.	
Additions	TXCPA	The PSC would like to see additional guidance, such as a materiality threshold, on whether a failure to obtain information would be considered a scope limitation, to which the option to revert to cost basis is not appropriate.	
OK as is	BDO	[We] have no other comments relating to this section.	
OK as is	CLA	[We] do not believe additional requirements are needed.	
OK as is	GAO	There are no additional requirements or application material relating to Equity Method Investments that are needed in the proposed SAS.	
OK as is	OSCPA	The committee did not identify any additional requirements or desired guidance.	
OK as is	RSM	We are not aware of the need for any additional requirements or application material relating to equity method investments.	
OK as is	TIC	No additional requirements were surmised by TIC.	
10. Do you support retaining the option that exists in extant AU-C section 600 for the group engagement partner to make reference to the audit of a referred-to auditor (a component auditor per extant AU-C section 600) in the auditor’s report on the group financial statements?			
Yes	BDO	We are supportive of retaining the option that exists in extant AU-C section 600 to make reference to the audit of a referred-to auditor in the auditor’s report on the group financial statements. While the division of responsibility in the auditor’s report is relatively uncommon, such situations are necessary in practice. For example, the timing of a transaction entered into by a company (the group) may make it impracticable for the group auditor to assume responsibility for the work being performed by another auditor that is already in process or substantially complete. We find the introduction of the term referred-to auditor in the proposed SAS provides additional clarity with respect to the group auditor’s	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>performance obligations when using the work of a component auditor in contrast to situations where the group auditor plans to make reference to the audit of a referred-to auditor.</p> <p>The definition for the term referred-to auditor in the proposed SAS appears to be consistent with the PCAOB’s proposed amendments to its analogous standard (<i>PCAOB Release No. 2021-005; Docket 042: Proposed Amendments Relating to the Supervision of Audits Involving Other Auditors and Proposed Auditing Standard—Dividing Responsibility for the Audit with Another Accounting Firm, issued on September 28, 2021</i>). The consistency in terminology between the AICPA and PCAOB standards supports the effective implementation of this change to firm methodologies, policies, tools, and technology.</p>	
Yes	CLA	We strongly support retaining the option for the group auditor to make reference to a referred-to auditor.	
Yes	COV	We support retaining the option that exists in extant AU-C section 600 for the group engagement partner to make reference to the audit of a referred-to auditor in the auditor’s report on the group financial statements and believe it is an important option to be included.	
Yes	Deloitte	Yes. D&T supports retaining the option that exists in extant AU-C section 600 for the group engagement partner to make reference to the audit of a referred-to auditor in the auditor’s report on the group financial statements and believes it is important for the AICPA to remain converged with the PCAOB on this topic.	
Yes	Eide Bailly	Yes, we support this as it makes it clear to the users of the financial statements who is responsible for the referred to audit.	
Yes	EY	We strongly support retaining the option that exists in extant AU-C section 600 for the group engagement partner to make reference to the audit of a referred-to auditor in the auditor’s report on the group financial statements.	
		Both the extant guidance and the proposed SAS provide a principles-based approach for the group engagement partner to take overall responsibility for managing and achieving quality on the group audit engagement. Additionally, removing the option would create a significant shift in practice, affecting preparers, auditors and others.	
Yes	GAO	We strongly support the option to allow the auditor to make reference to the audit of a referred-to auditor (a component auditor per extant AU-C section 600) in the auditor’s report on group financial statements. When an audit is performed in accordance with the requirements of this proposed SAS, referring to other auditors (divided responsibility) can improve audit efficiency for the group auditor without sacrificing effectiveness. It also preserves transparency by explaining in the group auditor’s report the portions of the audit performed by the referred-to auditor.	
		Although this represents a difference from international standards, we believe this difference is necessary. In some situations, the group auditor making reference to the audit of the referred-to auditor is the only option for completing the audit that is practical, feasible, or both. For example, a component of a government entity may be required by law or regulation to have its financial statements audited by auditors other than the group auditor, or management of the group may not have the authority to select the referred-to auditor. In such cases, making reference to the work of the referred-to auditor may be the best or only option available to the group auditor.	

Overall Opinion	Commenter	Comment	Response to Comment
		Conversely, eliminating the option of divided responsibility would likely cause an increase in situations in which an auditor must qualify or disclaim an audit opinion, rather than having the option of reporting on the group financial statements and disclosing the division of responsibility among auditors. For example, the size, complexity, and diversity of the audit of the U.S. government's consolidated financial statements, in which withdrawal is not a viable option, make eliminating the option to make reference to a referred-to auditor problematic. The same situation holds true for large and complex state and local governments. For these reasons, we strongly believe that the option of referring to other auditors in the group auditor's report remains crucial.	
Yes	GT	We fully support retaining the option for the group auditor to make reference to the audit of a referred-to auditor in the auditor's report on the group financial statements. While we note it may not be frequently used in practice, it is a necessary and appropriate option for certain group audit scenarios.	
Yes	ICPAS	Yes.	
Yes	Mazars	Yes, we support retaining the option to make reference to the audit of a referred-to auditor in the auditor's report on the group financial statements.	
Yes	MI OAG	We strongly support retaining the option to make reference to the audit of a referred-to auditor per extant AU-C 600. We routinely elect this option and consider this option as essential in distributing the work-effort in a large governmental setting.	
Yes	NSAA	We support retaining the option that exists in extant AU-C section 600 for the group engagement partner to make reference to the audit of a referred-to auditor in the auditor's report on the group financial statements and believe it is important that it remains in the standard. In the government environment, it is normal to make reference to other auditors, especially in the case of discretely presented component units which often have statutory requirements to have a separate audit from the primary government. Removing this option would create hardship for our members.	
Yes	OSCPA	We agree with retaining the option to have referred-to auditors.	
Yes	PwC	Yes, we support retaining the option to make reference to the audit of a referred-to-auditor.	
Yes	RSM	We fully support retaining the option that exists in extant AU-C section 600 for the group engagement partner to make reference to the audit of a referred-to auditor in the auditor's report on the group financial statements.	
Yes	SL	Yes, we support retaining the option that exists for reference to another auditor, and the change to calling it referred-to auditor. This would be helpful for firms that have to use other firms that are not part of an association or network.	
Yes	TIC	Yes, TIC supports the option to make reference to the audit of a referred-to auditor.	
Yes	TXCPA	The PSC supports retaining the option in AU-C section 600 for the group engagement auditor to make reference to the audit of the referred-to auditor in the audit report.	
Yes	VSCPA	The Committee supports retaining the opinion that exists in extant AU-C section 600 for the group engagement partner to make reference to the audit of a referred-to-auditor in the auditor's report on the group financial statements.	

11. Are the specific requirements relating to referred-to auditors clear, appropriate, and easily identifiable within the proposed SAS, including when considering exhibit A?

Overall Opinion	Commenter	Comment	Response to Comment
No	EY	<p>The requirements related to referred-to auditors are appropriate, but they are not easily identifiable within the proposed SAS. We struggled to identify the requirements that would apply when component auditors and referred-to auditors are involved without reliance on the exhibit.</p> <p>To enhance the readability and ease of use, the ASB should consider the following options:</p> <ul style="list-style-type: none"> • Issue a separate standard that includes the requirements and application material for circumstances when reference is made to the audit of a referred-to auditor in the auditor’s report on the group financial statements: The PCAOB took this approach in its proposal, since the referred-to auditor has a different level of supervision than a component team and is not part of the engagement team. • Present the requirements for circumstances when reference is made to the audit of a referred-to auditor in the auditor’s report on the group financial statements as a separate section within the SAS: Though this would create some repetition in the proposed standard (i.e., requirements that apply to both the involvement of component auditors and referred-to auditors), it would enhance the clarity of the requirements and application when using a referred-to-auditor. 	
No	PwC	<p>The requirements in the proposed SAS are intended to both leverage extant requirements and mirror the structure of the responsibilities of the group auditor in relation to component auditors. In our view, the requirements in the proposed SAS appear to be more restrictive than the requirements proposed by the PCAOB when dealing with referred-to auditors. For example, proposed PCAOB AS 1206 does not have a requirement to communicate significant risks to referred-to auditors, while the proposed SAS requires that the group auditor communicate significant risks that are relevant to the referred-to auditor. There may be practical challenges with this and other requirements (e.g., determining that referred-to auditors have the appropriate competence and capabilities) based on the level of access and communication the group engagement team is able to have with a referred-to auditor. Our view of the PCAOB’s proposed standard is that, while there are inquiries of, and representations from, the referred-to auditor, the expectation of the two-way dialogue between the group auditor and the referred-to auditor is substantially less than what would be anticipated between the group auditor and the component auditor.</p> <p>We question if the effort required by the proposed SAS is necessary for non-public companies audited under ASB standards as compared to public companies audited under PCAOB standards. Because the concept of referred-to auditors is unique to the US environment, we encourage the ASB to seek closer alignment with the PCAOB in setting its requirements, given the PCAOB’s plans to finalize its standard in the near future.</p> <p>Additionally, the construct of the standard has resulted in a level of repetition that might render it unclear. Clarifications to the wording and ordering of certain requirements would better follow the flow of the audit process and assist the auditor’s judgment in first deciding whether it is appropriate to make reference, and then how to do so. We also believe the ASB could seek to reduce the degree of duplication between a number of requirements, specifically in relation to independence and relevant</p>	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>ethical requirements. We offer some drafting suggestions in Appendix 2, but believe there may be further opportunities to streamline.</p> <p>Finally, we appreciate the focus in the requirements on the implications when the referred-to auditor has performed the audit in accordance with auditing standards other than GAAS or those of the PCAOB, as well as when the component's financial statements are prepared using a different financial reporting period from that used for the group financial statements. However, in terms of additional guidance, the ASB could consider elaborating on the audit implications when referring to another auditor in circumstances where the component financial statements are for a different financial reporting period than that of the group (as contemplated by paragraphs 42 and A113 of the proposed SAS).</p>	
Yes, with suggestions	Eide Bailly	<p>Yes, we do believe that the specified paragraphs 51-65 including Exhibit A provides sufficient clarity to auditors and are easily identifiable within the proposed SAS. Paragraphs 52 and 53 discuss competence and capabilities of referred -to auditors and the group engagement partners responsibility in relation to their competence and capabilities. Paragraphs A166-A168 in the application material provide additional guidance and indicate that judgement is involved. We believe that practitioners often rely on published peer review reports to make this conclusion. Considerations of competencies are outlined in paragraph A167. It is not uncommon for auditors to have favorable and unfavorable biases based on past experiences with other auditors. Such biases may not be appropriate generally, and more particularly on the specific audit being referred to. The first bullet of A168 is a self-certification from the referred-to auditor, which is meaningful evidence of their competency. We recommend that A167-A168 take the approach of evaluating the presentation and disclosure of the financial statements and identification of information in the component financial statements that contradicts audit evidence or accounting positions from the group financial statements as the other primary considerations of evaluating competences. Absent such errors and contradictions, group auditors often don't have sufficient evidence to evaluate competencies as currently outlined in the standard. Additionally, paragraph 52, as written, "When making reference to the audit of a referred-to auditor, the group engagement partner should take responsibility for determining that referred-to auditors have the appropriate competence and capabilities" seems to indicate that the group auditor is taking more responsibility than suggested in the application guidance. We recommend that this language be modified to clarify the responsibility. The following is a suggested modification, "When making reference to the audit of a referred-to auditor, the group engagement partner should take responsibility for use judgement to determine whether there is any contrary evidence that referred-to auditors have the appropriate competence and capabilities". As discussed above, contrary evidence would be material errors or omissions observed in the financial statements, contradictory information and evidence between the component and group financial statements, and deficiencies reported in the peer review report.</p> <p>If it is the intent of the Board for group auditors to have a substantial responsibility in determining that the referred-to auditor has the appropriate competency and capabilities, paragraph 52 should provide more definitive guidance on the types of evidence required to be obtained.</p>	

Overall Opinion	Commenter	Comment	Response to Comment
Yes, with suggestions	GT	<p>We agree that the proposed requirements related to referred-to auditors are easily identifiable. Nevertheless, we propose certain revisions, as follows, to the requirements in order to enhance their clarity and understandability.</p> <ul style="list-style-type: none"> • We ask the Board to consider eliminating the lead-ins of proposed paragraphs 51, 52, and 54, since the auditor needs to execute on these requirements before making the decision to make reference to a referred-to auditor (such determination is addressed in proposed paragraph 55). We found the lead-ins confusing given the flow of the requirements. We believe that the headings and subheadings are sufficient to guide auditors to understand which requirements relate to making reference to referred-to auditors such that the lead-ins are unnecessary. • In order to enhance the understandability of the requirement, we recommend revising the first sub-bullet of proposed paragraph 51 as follows: <ul style="list-style-type: none"> a. Referred-to auditors having been made aware of <i>Communicating to referred-to auditors</i> <i>the</i> relevant ethical requirements that are applicable given the nature and circumstances of the group audit engagement <p>For consistency, we recommend a similar revision be made to the similar requirement for component auditors in proposed paragraph 27a.</p> <ul style="list-style-type: none"> • We noted that proposed paragraph 52 is in the context of the group engagement partner taking responsibility for determining that referred-to auditors have the appropriate competence and capabilities. However, proposed paragraph 28a, which relates to component auditors, is written as “the group engagement partner should determine...” It is unclear why the group engagement partner can assign responsibility for this action with regard to referred-to auditors but not component auditors. We ask the Board to reconsider these requirements and whether it would be more appropriate for them to be consistent. <p>We recommend flipping the order of bullets (a) and (b) of proposed paragraph 63 to align with the ordering in the corresponding requirements related to component auditors.</p>	
Yes, with suggestions	Mazars	<p>Yes, the specific requirements relating to referred-to auditors are clear, appropriate, and easily identifiable within the proposed SAS. However, we have concerns as to how the “communications with the referred-to auditor” (paragraphs 62 – 65) requirements will be applied in practice. Given the principles-based approach to the of extent of two-way communications between group auditors and referred-to auditors, and our historical experience when involved in engagements with referred-to auditors, we anticipate wide variation in the characteristics of certain two-way communications between group and referred-to auditors which could potentially have negative impacts on audit quality.</p>	
Yes	BDO	<p>We find the requirements in paragraphs 51-66 and the related application material relating to referred-to auditor to be sufficiently clear. We found exhibit A, “Relevancy of Requirements in Various group Audit Scenarios” to be helpful in providing examples of relevant requirements under different group audit scenarios.</p>	

Overall Opinion	Commenter	Comment	Response to Comment
Yes	CLA	We believe the specific requirements relating to referred-to auditors are clear, appropriate, and easily identifiable within the proposed SAS without exhibit A. However, we believe exhibit A adds additional clarity by providing a concise reference for determining applicability in various scenarios.	
Yes	COV	We believe the specific requirements are clear, appropriate, and easily identifiable within the proposed SAS, including exhibit A.	
Yes	Deloitte	Yes. D&T believes the specific requirements relating to referred-to auditors are clear, appropriate, and easily identifiable within the proposed SAS.	
Yes	GAO	The specific requirements relating to referred-to auditors are clear, appropriate, and easily identifiable within the proposed SAS, including when considering exhibit A.	
Yes	MI OAG	Yes, we consider exhibit A as clear and appropriate in providing the necessary guidance for requirements regarding referred-to auditors.	
Yes	NSAA	We believe the specific requirements are clear, appropriate, and easily identifiable within the proposed SAS. Specifically, for Exhibit A, please see our response to question 4(b).	
Yes	OSCPA	Yes, except as indicated in the response to question 12 below.	
Yes	RSM	We believe the specific requirements relating to referred-to auditors are clear, appropriate and easily identifiable within the proposed SAS, including when considering Exhibit A.	
Yes	SL	Yes, they are clear when using Exhibit A.	
Yes	TIC	Yes, TIC believes the requirements are clear, appropriate, and easily identifiable and appreciates they are presented together for ease of application.	
Yes	TXCPA	The specific requirements relating to referred-to auditors are clear, appropriate and easily identifiable within the proposed SAS. Exhibit A is beneficial to the implementation of the requirements.	
Yes	VSCPA	The specific requirements relating to referred-to auditors are clear, appropriate, and easily identifiable within the proposed SAS, including exhibit A.	
12. Is the last sentence of paragraph A41 clear? (“As the magnitude of the portion of the financial statements that is audited by referred-to auditors increases, it is less likely that the group engagement partner can conclude that sufficient appropriate audit evidence can be obtained.”)			
No	BDO	We believe that the last sentence or the related application paragraph would benefit from clarifying that the group engagement partner’s assessment of the magnitude of the portion of the financial statements audited by the referred-to auditor includes quantitative and qualitative (emphasis added) considerations relating to the financial information and disclosures that could reasonably be expected to influence the economic decisions of users of the group financial statements.	
No	CLA	It is unclear at what magnitude a group engagement partner may not be able to conclude that sufficient appropriate audit evidence cannot be obtained.	
No	Eide Bailly	The last sentence in paragraph A41 as written is not clear.	
No	EY	The last sentence of paragraph A41 is unclear and may cause diversity in how auditors accept or continue a group audit engagement. For example, an entity may have three components that represent approximately 15%, 25% and 60% of the total assets and revenue of the group. One group auditor may conclude that it can obtain sufficient appropriate audit evidence by auditing the 15% and 25% components and making reference to a referred-to auditor for the 60% component. However, a different group auditor may conclude that it is unable to obtain sufficient appropriate audit evidence in the same situation.	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>While we acknowledge that professional judgment is critical in concluding on the sufficiency of appropriate audit evidence obtained, providing a figure as a starting point in the SAS would be helpful in driving consistency in practice. Consistency is especially relevant, as this matter involves the coordination of different firms. We agree with the PCAOB revised standard AS2101, <i>Audit Planning</i>, paragraph 06A, which uses the following language:</p> <p style="padding-left: 40px;">In addition, in an audit that involves referred-to-auditors (see AS1206), the participation of the engagement partner’s firm ordinarily is not sufficient for it to serve as lead auditor if the referred-to-auditors, in aggregate, audit more than 50 percent of the company’s assets or revenues.</p> <p>We believe similar language would be helpful in the proposed SAS and would still allow interpretation and professional judgment.</p> <p>Further, we note that paragraph A41 relates only to referred-to auditors. We recommend that the ASB clarify whether the considerations in the paragraph, including the financial significance of the components and risks of material misstatements to the group financial statements associated with the components, also apply when component auditors are involved. That is, it would be helpful for the ASB to make clear whether there would ever be an instance where the component audited by a component auditor would be too significant, as determined by various criteria, for the group auditor to obtain sufficient appropriate evidence.</p>	
No	ICPAS	<p>We would suggest providing clarity over the determination of magnitude when making the assessment of the group engagement partner’s ability to obtain sufficient audit evidence, with consideration given to both quantitative and qualitative factors. For example, as it pertains to qualitative factors, we do not believe that the group engagement partner would be able to obtain sufficient audit evidence for the financial statements as a whole if there were material disclosure matters that relate to a referred-to auditor. Examples may include the identification and evaluation of commitments and contingencies, and financial statement accounts that may not be quantitatively material but possess a higher level of inherent risk due to the existence of management estimates (i.e., allowance of doubtful accounts, inventory reserves, workers compensation liabilities, etc.)). Currently, paragraph A180 refers to quantitative considerations only in the context of the consideration of magnitude, as illustrated below (emphasis added):</p> <p>A-180. The disclosure of the magnitude of the portion of the financial statements audited by a referred-to auditor may be achieved by stating <u>the dollar amounts or percentages of one or more of the following: total assets, total revenues, or other appropriate criteria</u>, whichever most clearly describes the portion of the financial statements audited by a referred-to auditor. When two or more referred-to auditors are referred to, the dollar amounts or percentages covered by the referred-to auditors may be stated in the aggregate.</p>	

Overall Opinion	Commenter	Comment	Response to Comment
No	KPMG	<p>We believe the last sentence of paragraph A41 can be enhanced as follows (please see strikethroughs and underlined text for proposed changes):</p> <p>A41. As the magnitude of <i>and/or the risks of material misstatement to the group financial statements associated with</i> the portion of the financial statements that is audited by referred-to auditors increases, it is less likely that the group engagement partner can conclude that sufficient appropriate audit evidence can be obtained.</p> <p>This is consistent with the two bullets in paragraph A41, where the group engagement partner may consider both the financial significance of the components that are audited by the referred-to auditor, and the risks of material misstatement to the group financial statements associated with the portion of the company’s financial statements audited by the referred-to auditor, when determining whether its participation may be sufficient to serve as group auditor.</p>	
No	Mazars	No, the last sentence of paragraph A41 is not clear due to its use of the word “magnitude”.	
No	MI OAG	<p>We reject the underlying assertion of paragraph A41 that a group auditor cannot obtain sufficient appropriate audit evidence in a group audit when reference is made to referred-to auditors. Governmental auditors routinely engage private firms to audit components of the government and this reliance may be substantial, and at times constitutes a major fund, which is an entire opinion unit. We recommend the Board either eliminate this sentence or substantially revise it and incorporate “Considerations Specific to Governmental Entities” to address current accepted practices in governmental audits.</p>	
No	NSAA	No, the last sentence in A41 is not clear, and further, we believe it should be removed. In the government auditing environment, it is not uncommon for referred-to auditors to perform a substantial percentage of the audit work for an individual opinion unit. In some cases, referred-to auditors perform 100% of the audit work for an opinion unit. If the procedures outlined elsewhere in the standard for making reference to another auditor are adhered to and adequately documented, we see no reason why magnitude alone would imply that sufficient appropriate audit evidence could not be obtained by the group engagement partner.	
No	OSCPA	The committee identified this as an area where a move to a more principles-based standard leaves the room for interpretation too broad (e.g. do we mean 51%, or 90%?).	
No	SL	<p>The statement itself, is more ambiguous than preferred. We understand the move away from a rules-based or bright-line approach to a conceptual approach to application. With that being said, the extant standards allowed for the use of referred-to auditors for multiple component companies, and a group auditor performing a roll up and overall audit report. If there is reputational reliance, adequate and appropriate communication, review of working papers for significant areas, participation in planning decisions (such as, materiality), fraud risk between group and referred to auditor, this statement could allow for some to never be able to issue a report as there is no predominant group entity. We would need more clarification or guidance.</p> <p>For example, consider a private equity owned LLC, that owns multiple separate legal entities that are significant components and audited by other firms, in conjunction with the group audit approach, communications, and the group audit oversees the other audits but each entity issues its own audit.</p>	

Overall Opinion	Commenter	Comment	Response to Comment
		This would either require responsibility and now not treat the other audits as referred-to audits, but require the group auditor to determine and decide which other audits will be referred to, and which ones will be considered to take ownership of, or not allow the group auditor to issue a report.	
No	TXCPA	Additional qualitative and quantitative application material is needed with regard to paragraph A41.	
No	VSCPA	<p>The Committee does not agree with the last sentence of paragraph A41. We believe the consideration presented in paragraph 51-66 provide assurance that the group engagement partner can conclude the sufficient appropriate audit evidence can be obtained.</p> <p>Our members who audit governments utilize referred-to-auditors often and in some cases, up to 100% of an opinion unit. It is possible that a governmental entity to have a component that is not a governmental unit audited by a firm specialized in that industry and that it would be appropriate for this practice to continue.</p> <p>We believe the Board should consider revising this sentence or eliminating it.</p>	
Yes, with suggestions	TIC	While TIC believes the last sentence is clear, there is one identified opportunity to add additional clarity. To avoid a strictly monetary magnitude interpretation, TIC recommends adding a phrase to the final sentence that incorporates the need to consider the qualitative magnitude of risks vs. solely the quantitative magnitude of the portion of the financial statements audited by the referred-to auditors.	
Yes	Crowe	Yes, the last sentence in paragraph A41 is clear.	
Yes	Deloitte	Yes.	
Yes	GAO	The last sentence of paragraph A41 is sufficiently clear in the context of paragraphs 19–20 and related application material.	
Yes	PwC	We agree the last sentence of paragraph A41 is clear.	
Yes	RSM	We believe the last sentence of paragraph A41 provides the appropriate level of guidance for the group auditor.	
12. Is there additional application material that is needed for paragraph A41, and if so, what should it be?			
Additions	CLA	We recommend the ASB provide additional guidance and examples of situations when it may not be appropriate to use a referred-to auditor.	
Additions	CLA	Examples would provide the auditor more context for applying the guidance in the last sentence of this paragraph.	
Additions	COV	We do not agree with the last sentence of paragraph A41. We believe the considerations documented in paragraphs 51 – 66, regarding referred-to auditors, provide assurance that the group engagement partner can conclude that sufficient appropriate audit evidence can be obtained. Additionally, auditors of governments utilize referred-to-auditors often, in some cases, for up to 100 percent of an opinion unit. For example, a primary government may have a component unit that is a non-governmental entity audited by a firm that specializes in audits of that particular industry. We believe it is appropriate for this practice to continue. As a result, the Board should eliminate or revise the last sentence of paragraph A41. In addition, we believe the Board should add a “Consideration Specific to Governmental Entities” to address the magnitude concept with relation to opinion units in a governmental environment or expand paragraph A43 to more clearly address magnitude considerations related to opinion units.	

Overall Opinion	Commenter	Comment	Response to Comment
Additions	Crowe	<p>We note that at this point in the engagement (acceptance and continuance), the group auditor will not likely have engaged specific referred-to auditors and will not be able to “conclude” on the ability to obtain sufficient appropriate audit evidence. Therefore, we recommend that the paragraph be modified to be more consistent with paragraph 19 and to reflect that these considerations and determinations are being made based on the group engagement partner’s expectations of the group audit plan, such as the following (<u>additions</u> / deletions):</p> <p>“The group engagement partner may consider the nature and extent of work <u>to potentially be</u> performed by referred-to auditors, including matters such as the following:</p> <ul style="list-style-type: none"> • The financial significance of the components that will <u>potentially be</u> are audited by referred-to auditors • The risks of material misstatement to the group financial statements associated with the portion of the company’s financial statements for which the group auditor or component auditor <u>expects to perform</u> performs audit procedures compared to the portion <u>that will potentially be</u> audited by referred-to auditors <p>As the magnitude of the portion of the financial statements that <u>will potentially be</u> is audited by referred-to auditors increases, it is less likely that the group engagement partner can <u>determine</u> conclude that sufficient appropriate audit evidence can <u>reasonably be expected to</u> be obtained.”</p> <p>We also suggest the following edit to the first sentence in paragraph A41: “There may be more complexities in determining whether sufficient appropriate audit evidence can reasonably be expected to be obtained in a group audit where reference is made to the audit of referred-to auditors in the auditor’s report on the group financial statements is being considered, including in group audits where no component auditors are also involved.”</p>	
Additions	Eide Bailly	<p>Providing additional clarification to understand what is implied by that last sentence would be beneficial to practitioners. The last sentence seems to suggest a size limitation at which an auditor would not be able to perform a group audit when referred-to auditors are involved. If this is what the standard is suggesting, we disagree that size limitations should result in disallowing group audits when a referred-to auditor audits a larger portion of the group financial statements. If the board intends to impose proportionate size limitations, clearer parameters and bright lines would be necessary to achieve consistency across audit firms. Otherwise, aggressive interpretations would lead to diversity and unfair practices.</p> <p>In our practice, we have a number of instances where this occurs, and these examples are common with other practitioners. For example, in governmental audits, referred-to auditors may be the only auditor for a given opinion unit such as a discretely presented component unit, individual major funds, fiduciary activities (such as retirement plans), etc. Additionally, certain investment funds, such as investors in affordable housing partnerships, are often a consolidation of individual partnership audits performed by referred-to auditors. Also, commercial entities have large subsidiaries that are audited by referred-to auditors. These are a few of the examples that would potentially have significant changes in practices if size limitations are placed on group audits involving referred-to auditors.</p>	

Overall Opinion	Commenter	Comment	Response to Comment
Additions	GT	We believe the application material can be further enhanced by providing additional considerations for the group engagement partner, such as the location of group operations and group management, and the extent of the group engagement team’s knowledge of the overall financial statements and familiarity with the group. We believe that such qualitative factors can be important considerations for determining whether the group auditor can obtain sufficient appropriate audit evidence on which to base an opinion on the group financial statements.	
Additions	Mazars	The last sentence of paragraph A41 is not clear due to its use of the word “magnitude”. Both extant AU-C section 600 and the proposed SAS paragraph A41 use the term “financial significance.” It is unclear if “magnitude” is intended to have a different meaning from “financial significance” and, if so, what that meaning is. Additional, or revised, application material clarifying the intended meaning of “magnitude” would add to greater understanding of the intent of paragraph A41.	
Additions	OSCPA	Additional guidance or more specific language (for instance, “a majority” or “substantially all”) is needed to assist in evaluating at what point the role of referred-to auditors is too significant for the group auditor to take responsibility.	
Additions	TXCPA	Additional qualitative and quantitative application material is needed with regard to paragraph A41. For example: a scenario where the referred-to auditor is doing a large portion of the audit, can the engagement partner state that he has gathered sufficient evidence to state an opinion? Saying that if referred auditor is doing so much of the audit, can the engagement auditor say he gathered sufficient appropriate evidence to render opinion. Is there a threshold where this becomes an issue? The goal of the last sentence in A41 is unclear. Additional guidance or clarification on when the referred-to auditor should be referenced in the audit report of a group audit would be helpful and provide a bright line of delineation. The PSC believes that the application of professional judgment in the determination on whether or not to specifically include the referred-to auditor may result in a broad interpretation of the requirement.	
OK as is	Deloitte	D&T believes the last sentence in paragraph A41 is clear without additional requirements or application material.	
OK as is	GAO	No additional application material is needed.	
OK as is	RSM	We believe individual audit firms should provide policies and guidance, if needed, as they discern the pertinent risks in the relationship between the portion of the financial statements audited by the referred-to auditor and the group auditor’s ability to obtain sufficient appropriate audit evidence.	
13. Does the proposed effective date provide sufficient time for preparers, auditors, and others to adopt the new standard and related conforming amendments, including sufficient time to support effective implementation of the proposed SAS?			
Yes	BDO	We are supportive of the proposed effective date and believe that it will provide sufficient time to implement the changes necessary with respect the proposed SAS. We believe that maintaining alignment of this proposed SAS with the effective date of the proposed QM SAS is appropriate.	
Yes	CLA	We believe the proposed effective date provides sufficient time to adopt the new standard and effectively implement the proposed SAS.	
Yes	COV	We believe the proposed effective date provides sufficient time to adopt the new standard and related conforming amendments, to include effective implementation.	
Yes	Crowe	Yes. We believe that the proposed effective date, for audits of group financial statements for periods ending on or after December 15, 2026, is appropriate. It is important to align the effective date of this proposed SAS with the effective date of the proposed QM SAS.	

Agenda Item 3A – Group Audits, Comment Letter Summary

Overall Opinion	Commenter	Comment	Response to Comment
Yes	Deloitte	Yes. D&T supports the proposed effective date. D&T strongly believes it is imperative that the effective date of the proposed SAS aligns with the effective date of the proposed QM SAS given that the proposed QM SAS is foundational to the proposed SAS.	
Yes	Eide Bailly	Yes, we believe the proposed effective date noted in paragraph 14 provides sufficient time for preparers, auditors, and others to adopt the new standard.	
Yes	EY	The proposed effective date would provide sufficient time to adopt the new standards.	
Yes	GAO	We believe that the proposed effective date provides sufficient time for preparers, auditors, and others to adopt the new standard and related conforming amendments, including sufficient time to support effective implementation of the proposed SAS.	
Yes	ICPAS	Yes.	
Yes	KPMG	We believe that the proposed effective date provides sufficient time to adopt the new standard and related conforming amendments.	
Yes	MI OAG	We agree that the effective date of the proposed standard is reasonable and will provide auditors sufficient time to implement the new standard.	
Yes	NSAA	We believe the proposed effective date, for audits of group financial statements for periods ending on or after December 15, 2026, provides sufficient time to implement the new standard.	
Yes	OSCPA	The committee found the proposed implementation date of December 15, 2026, unnecessarily long, but understands wanting to coordinate with the effective date of the quality management standards.	
Yes	PwC	We appreciate that the ASB has aligned the proposed effective date of the proposed SAS with the effective date of SAS 146. We believe the proposed effective date provides sufficient time for effective implementation.	
Yes	RSM	We believe the proposed effective date provides sufficient time for preparers, auditors and others to adopt the new standard and related conforming amendments, including sufficient time to support effective implementation of the proposed SAS.	
Yes	SL	Yes, an effective date for audits of group financial statements for periods ending on or after December 15, 2026, is reasonable. This would include audits of smaller entities who rely on service providers to develop the coinciding audit methodology (and the related work by firms to understand and prepare trainings to our audit teams) with the expectation that interim financial statements reviewed under AU-C section 930 would adopt for Q1 2026.	
Yes	TIC	Yes, TIC believes there is sufficient time to adopt the new standard and noted its alignment with the QM Standards.	
Yes	TXCPA	The PSC agrees that the proposed effective date provides sufficient time for adoption and implementation, especially since the SQMSs have been delayed until 2025.	
Yes	VSCPA	The Committee believes the proposed effective date provides sufficient time for all parties to adopt the new standard and the related conforming amendments.	
Other Comments			
Editorial			
	Crowe	In paragraph 15, where the proposed SAS presents the “objectives of the auditor”, we recommend this be changed to “objectives of the group auditor”.	
	PwC	<i>Involvement of Component Auditors</i>	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>.8. The group auditor may involve component auditors to provide information, or to perform audit work, to fulfill the requirements of this proposed SAS. Component auditors may have greater experience with, and a more in-depth knowledge of, the components and their environments (including local laws and regulations, business practices, language, and culture) than the group auditor. Accordingly, component auditors can be, and often are, involved in all phases of the group audit <u>under the direction and supervision of the group auditor.</u> (Ref: par. A10–A11) [To further differentiate component auditors and referred-to auditors and to temper discussion of the use of component auditors]</p>	
	PwC	<p><i>Making Reference to the Audit of a Referred-To Auditor</i></p> <p>.10 <u>In accordance with t</u>This proposed SAS, –also describes the procedures to be followed to obtain sufficient appropriate audit evidence when the group engagement partner can also determines to make reference to the audit of a referred-to auditor in the auditor's report on the group financial statements <u>in circumstances when the referred-to auditor has performed an audit of the financial information of a component.</u> Reference in the auditor's report on the group financial statements to the fact that part of the audit was conducted by a referred-to auditor communicates the source of audit evidence with respect to those components for which such reference is made. <u>Because the group auditor does not direct, supervise, or review the work of a referred-to auditor, a</u> referred-to auditor is not a component auditor, and accordingly, a referred-to auditor is not a part of the engagement team. Therefore, when the terms <i>component auditor</i> and <i>engagement team</i> are used in this proposed SAS, they do not include referred-to auditors. The requirements in paragraphs .51-.65 and the related application material are specific to referred-to auditors. <u>Paragraphs .51-.57 set out requirements to enable</u> Therefore, when the group engagement partner to determine whether plans to make reference to the audit of a referred-to auditor in the auditor's report on the group financial statements <u>when establishing the overall group audit strategy and group audit plan in accordance with paragraph 24 of this proposed SAS. The these requirements in paragraphs .58-.65, in addition to other requirements related to the execution of the group audit, are relevant when the group engagement partner determines to make reference.</u> [To further tee up the concept of referred-to auditors and separate the requirement to determine if it is appropriate to make reference]]</p> <p>Relates to Request for Comment No. 11</p>	
	PwC	<p><i>Responsibilities of the Group Engagement Partner and Group Auditor</i></p> <p>13. The group engagement partner remains ultimately responsible, and therefore accountable, for compliance with the requirements of this proposed SAS. <u>Nevertheless, the group engagement partner may seek assistance from others to fulfill these responsibilities.</u> The phrase “the group engagement partner should take responsibility for...” or “the group auditor should take responsibility for...” is used for those requirements <u>for which</u> when the group engagement partner or group auditor, respectively, is permitted to assign the design or performance of procedures, tasks, or actions to other appropriately skilled or suitably experienced members of the engagement team, including component auditors. For other requirements, this proposed SAS expressly intends that the requirement or responsibility be fulfilled</p>	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>by the group engagement partner or group auditor, as applicable, and <u>In such circumstances,</u> the group engagement partner or group auditor may <u>need to</u> obtain information from the firm or other members of the engagement team. <u>For example, when others, including component auditors, perform supervisory and review activities, the outcome of those activities can be taken into account by the group engagement partner in fulfilling these responsibilities.</u> (Ref: par. A19, A33) [To align with paragraph 9 of SAS 146]</p>	
	PwC	<p>16. component auditor. An auditor who performs audit work related to a component for purposes of the group audit <u>under the direction and supervision of the group auditor.</u> A component auditor is a part of the engagement team² for a group audit. <u>A referred-to auditor is not a component auditor, and accordingly, is not a part of the engagement team for a group audit.</u> (Ref: par. A23–A26) [To reiterate the difference between component auditors and referred-to auditors]</p> <p>Relates to Request for Comment No. 6</p>	
	PwC	<p>Overall Group Audit Strategy and Group Audit Plan</p> <p>.24 In applying AU-C section 300,³ the group auditor should establish, and update as necessary, an overall group audit strategy and group audit plan. In doing so, the group auditor should determine the following: (Ref: par. A54–A58)</p> <p>...</p> <p>b. The components for which, if any, the auditor’s report on the group financial statements will make reference to the audit of a referred-to auditor <u>when the group auditor has determined it is appropriate to do so in accordance with the requirements of paragraphs .51-.5765.</u> [To note that this is a specific judgment that must be made]</p>	
	PwC	<p>Considerations When Component Auditors Are Involved</p> <p>.33 The group auditor should communicate the following to component auditors on a timely basis: (Ref: par. A116)</p> <p>a. Matters that the group auditor determines to be relevant to the component auditor’s design or performance of risk assessment procedures for purposes of the group audit, including identified significant risks of the group financial statements <u>that are relevant to the work of the component auditor</u> [To be consistent with the other bullets and</p>	

² Paragraph 12 of QM SAS

³ Paragraphs 7-10 of AU-C section 300

Overall Opinion	Commenter	Comment	Response to Comment
		<p style="text-align: center;">reiterate that the communications focus on what is relevant to the work being performed at the component vs. suggesting all significant risks of the group financial statements are relevant to the component]</p>	
	PwC	<p>Considerations Regarding Making Reference to the Audit of a Referred-to Auditor in the Auditor's Report on the Group Financial Statements</p> <p><i>Understanding the Referred-To Auditor and Determining Whether to Make Reference</i></p> <p>Relevant Ethical Requirements, Including Those Related to Independence, for Referred-To Auditors</p> <p>.51 When making reference to the audit of a referred-to auditor, the group engagement partner should take responsibility for (Ref: par. A165)</p> <p style="padding-left: 40px;">a. <u>obtaining an understanding of whether</u> referred-to auditors have ing been made aware of relevant ethical requirements that are applicable given the nature and circumstances of the group audit engagement; and [To align more closely with extant AU-C section 600. Note that the PCAOB standard simply requires a written representation that the referred-to auditor is independent similar to paragraph 63; also note this is somewhat duplicative of paragraph 62]</p> <p>...</p> <p>Competence and Capabilities of Referred-To Auditors</p> <p>.52 When making reference to the audit of a referred-to auditor, the group engagement partner should take responsibility for <u>understanding whether</u> determining that referred-to auditors have the appropriate competence and capabilities. (Ref: par. A166–A168) [To align more closely with extant AU-C section 500. Note that the PCAOB standard requires the lead auditor to make inquiries of the referred-to auditor and look to other information obtained during the audit]</p> <p>.53 The group auditor should obtain sufficient appropriate audit evidence relating to the work to be performed at the component without making reference to the audit of a referred to auditor in the auditor's report on the group financial statements if: (Ref: par. A169–A170)</p> <p style="padding-left: 40px;">a. the referred to auditor does not comply with the relevant ethical requirements, including those related to independence, that apply to the group audit engagement; or</p> <p style="padding-left: 40px;">b. the group engagement partner has serious concerns about the matters in paragraphs .51-.52. [Moved below to assist in the flow of the requirements]</p> <p>Consolidation Process Considerations for Referred-To Auditors</p> <p>.534 When making reference to the audit of a referred-to auditor, the group auditor should obtain an</p>	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>understanding of whether the group auditor will be able to obtain information affecting the consolidation process from group management or a referred-to auditor.</p> <p>Determining Whether to Make Reference to the Audit of a Referred-To Auditor (Ref: par. A171–A178)</p> <p>.545 Having obtained an understanding of the referred-to auditor in paragraphs .51–.5354, the group engagement partner should determine whether to make reference to the audit of a referred-to auditor in the auditor’s report on the group financial statements.</p> <p>.556 Reference to the audit of a referred-to auditor in the auditor’s report on the group financial statements should not be made unless:</p> <ul style="list-style-type: none"> a. the group engagement partner has determined that the referred-to auditor has performed an audit of the financial statements of the component in accordance with the relevant requirements of GAAS or the standards promulgated by the PCAOB (Ref: par. A174), and b. the referred-to auditor has issued an auditor’s report that is not restricted as to use. <p><u>.56 The group auditor should obtain sufficient appropriate audit evidence relating to the work to be performed at the component without making reference to the audit of a referred-to auditor in the auditor’s report on the group financial statements if: (Ref: par. A169–A170)</u></p> <ul style="list-style-type: none"> a. <u>the referred-to auditor does not comply with the relevant ethical requirements, including those related to independence, that apply to the group audit engagement; or</u> b. <u>the group engagement partner has serious concerns about the matters in paragraphs .51.52. [Moved from above, this is not explicitly addressed in PCAOB standards]</u> <p>Relates to Request for Comment No. 11</p>	
	PwC	<p>Subsequent Events</p> <p>.66 In applying AU-C section 560,⁴ the group auditor should take responsibility for performing procedures, including, as appropriate, requesting component auditors or referred-to auditors to perform procedures, designed to identify events that may require adjustment of, or disclosure in, the group financial statements. (Ref: par. A185–A187)</p> <p style="text-align: center;"><i>Considerations When Component Auditors or Referred-to Auditors Are Involved</i></p> <p>.67 The group auditor should request the component auditors <u>and referred-to auditors, as applicable</u>, to notify the group auditor if they become aware of subsequent events that may require adjustment of, or disclosure in, the group financial statements. (Ref: par. A187) [This requirement is equally relevant to</p>	

⁴ Paragraphs 9-10 of AU-C section 560, Subsequent Events and Subsequently Discovered Facts

Overall Opinion	Commenter	Comment	Response to Comment
		<p>referred-to auditors, could consider placing it elsewhere]</p> <p>Relates to Request for Comment No. 11</p>	
	PwC	<p>Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained</p> <p>...</p> <p>.69 The group engagement partner should evaluate the effect on the group audit opinion of any uncorrected misstatements (whether identified by the group auditor or communicated by component auditors) <u>or other communications from component auditors and, as applicable, referred to auditors, including</u> and any instances when there has been an inability to obtain sufficient appropriate audit evidence. (Ref: par. A193) [To encourage auditors to consider any additional information from referred-to auditors]</p>	
	PwC	<p><i>Components at Which to Perform Audit Work</i> (Ref: par. 24a)</p> <p>A59. The determination of components at which to perform audit work is a matter of professional judgment. The following are examples of matters that may influence the group auditor's determination:</p> <ul style="list-style-type: none"> • <u>The nature and significance of individual entities or business units included in the group financial statements, including</u> the nature of events or conditions that may give rise to risks of material misstatement at the assertion level of the group financial statements that are associated with a component, for example <ul style="list-style-type: none"> ○ newly formed or acquired entities or business units, ○ entities or business units in which significant changes have taken place, ○ significant transactions with related parties, ○ significant unusual transactions, and ○ abnormal fluctuations identified by analytical procedures performed at the group level, in accordance with AU-C section 315. • <u>The specific risks associated with an individual entity or business unit, including whether those risks</u> <ul style="list-style-type: none"> ○ <u>represent significant risks or</u> ○ <u>apply to other entities or business units included in the group financial statements, such that these risks, in combination, represent a risk of material misstatement</u> • The disaggregation of significant classes of transactions, account balances, and disclosures in the group financial statements across components, considering the size and nature of assets, liabilities, and transactions at the location or business unit relative to the group financial statements • Whether sufficient appropriate audit evidence is expected to be obtained for all significant 	

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		<p>classes of transactions, account balances, and disclosures in the group financial statements from audit work planned on the financial information of identified components</p> <ul style="list-style-type: none"> ● The nature and extent of misstatements or control deficiencies identified at a component in prior period audits ● The extent of the commonality of controls across the group and whether, and if so, how, the nature and group centralizes activities relevant to financial reporting [To incorporate additional guidance related to the extant concepts of significant components and the type of work to be performed as well as guidance from PCAOB AS 2101] 	
	PwC	<p>A62. Component auditors may be involved in different phases of an audit. For example, component auditors may design or perform</p> <ul style="list-style-type: none"> ● risk assessment procedures, and/or ● procedures to respond to the assessed risks of material misstatement. 	
	PwC	<p><i>The Nature and Extent of Further Audit Procedures</i></p> <p>A144. <u>In applying AU-C section 330, the nature, timing, and extent of further audit procedures at components are expected to be based on, and responsive to, the assessed risks of material misstatement of the group financial statements.</u> In response to the assessed risks of material misstatement, the group auditor may determine the following scope of work to be appropriate at a component (with the involvement of component auditors, as applicable):</p> <ul style="list-style-type: none"> ● Design and perform further audit procedures on the entire financial information of the component ● Design and perform further audit procedures on one or more classes of transactions, account balances, or disclosures ● Perform specific further audit procedures 	
	PwC	<p>Design and Perform Further Audit Procedures on One or More Classes of Transactions, Account Balances, or Disclosures</p> <p>A148. The group auditor may determine that designing and performing further audit procedures on one or more particular classes of transactions, account balances, or disclosures of the financial information of a component is an appropriate approach to address assessed risks of material misstatement of the group financial statements. For example, a component may have limited operations but hold a significant portion of the land and buildings of the group or have significant tax balances. <u>In such cases, the component auditor may exercise professional judgment in determining the nature, timing and extent of procedures to be performed, taking into account component materiality.</u></p>	

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		<p>Perform Specific Further Audit Procedures</p> <p>A149. The group auditor may determine that designing and performing specific further audit procedures on the financial information of a component is an appropriate approach, including to complement testing performed by the group auditor, such as when audit evidence needs to be obtained for one or more relevant assertions only. For example, the group auditor may</p> <ul style="list-style-type: none"> • centrally test the class of transaction, account balance, or disclosure and may require the component auditor to perform specific further audit procedures at the component (for example, specific further audit procedures related to the valuation of claims or litigations in the component’s jurisdiction or the existence of an asset <u>or the observation of inventory counts</u>). • <u>request one or more component auditors to perform tests of controls related to significant classes of transactions, account balances, and disclosures.</u> • <u>request a component auditor to perform procedures to obtain audit evidence related to one or more relevant assertions, and may specify the sample sizes to be used (e.g., in the case of a component auditor who is from a different network and therefore not subject to common audit methodologies or to drive consistency in testing across components with similar characteristics).</u> 	
	RSM	<p>We note that paragraph 16 of the proposed SAS defines aggregation risk as “the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole” and paragraph A20 of the proposed SAS states:</p> <p>Aggregation risk exists in all audits of financial statements but is particularly important to understand and address in a group audit because there is a greater likelihood that audit procedures will be performed on classes of transactions, account balances, or disclosures that are disaggregated across components. Generally, aggregation risk increases as the number of components at which audit procedures are performed separately increases, whether by component auditors or other members of the engagement team.</p> <p>We agree that aggregation risk is particularly important to understand and address in a group audit. We believe, however, that aggregation risk increases as a result of a myriad of factors, including, but not limited to, the extent of disaggregation of the financial information across components and the nature, frequency and magnitude of misstatements in the component financial information. The auditor responds to aggregation risk by reducing the component performance materiality to an appropriately low level for the audit procedures performed separately on the financial information of components across the group. We suggest consideration be given to deleting the last sentence of paragraph A20 of the proposed SAS.</p>	
	RSM	<p>We note that Exhibit A indicates the requirements in paragraph 36 of the proposed SAS are relevant for all of the various group audit scenarios. However, the header immediately preceding paragraph 36 states “Considerations When Component Auditors Are Involved.” We agree that the requirements in paragraph</p>	

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		<p>36 are relevant for all of the various group audit scenarios, and therefore suggest removing this header.</p> <p>Relates to Request for Comment No. 4b</p>	
	RSM	<p>We note that paragraph A205 of the proposed SAS states that the audit documentation for the group audit comprises (a) the documentation in the group auditor’s file and (b) the separate documentation in the respective component auditor files relating to the work performed by the component auditors for purposes of the group audit (that is, component auditor audit documentation). We therefore are curious as to why the word “ordinarily” is needed in the first sentence of paragraph A213, which states, “Component auditor audit documentation ordinarily need not be replicated in the group auditor’s audit file.” We suggest that, if there are circumstances in which it is necessary for the group auditor’s file to replicate the component auditor audit documentation, those circumstances should be articulated in the proposed SAS. Otherwise, we suggest consideration be given to removing the word “ordinarily” from the first sentence of paragraph A213.</p> <p>Relates to Request for Comment No.5</p>	
	RSM	<p>We note that the proposed addition of paragraph .33.d.ii. to AT-C Section 105, <i>Concepts Common to All Attestation Engagements</i>, would require a determination of the sufficiency of time to perform procedures. In addition to suggesting that additional guidance be provided regarding how this determination is made, we suggest the wording of this new paragraph be revised to sync with the terminology used elsewhere in paragraph .33 of AT-C Section 105 as follows (our proposed addition is noted in bold font, and our proposed deletions are struck through):</p> <p style="padding-left: 40px;">ii. determine that the other auditor practitioner has sufficient time to perform assigned audit procedures, and</p>	
	RSM	<p>Currently, AU-C 600 requires the group auditor to determine performance materiality for those components on which the group engagement team will perform, or request a component auditor to perform, an audit or review. Paragraph 37 of the proposed SAS would require the group auditor to determine component performance materiality for those components on which the group auditor or component auditor will perform audit procedures. We believe consideration should be given to changing paragraph 37 to read as follows (additions shown in bold font):</p> <p style="padding-left: 40px;">In applying AU-C section 320, <i>Materiality in Planning and Performing an Audit</i>, and AU-C section 450, <i>Evaluation of Misstatements Identified During the Audit</i>, when classes of transactions, account balances, or disclosures in the group financial statements are disaggregated across components, for purposes of planning and performing audit procedures, for those components on which the group auditor or component auditor will perform audit or review procedures, the group auditor should determine the following:</p> <p style="padding-left: 40px;">a. Component performance materiality. To address aggregation risk, such amount should be lower than group performance materiality. (Ref: par. A127–A133)</p>	

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		<p>b. The threshold above which misstatements identified in the component financial information are to be communicated to the group auditor. Such threshold should not exceed the amount regarded as clearly trivial to the group financial statements. (Ref: par. A134)</p>	
	RSM	<p>We note that in the first sentence of the “Basis for Qualified Opinion” section of Exhibit B on page 107 of the proposed SAS, “thenended” should be changed to “then ended.”</p>	
	SL	<p>It appears, that on proposed paragraph A221:</p> <p><i>Basis for Qualified Opinion</i></p> <p>We were unable to obtain audited financial statements supporting the Company's investment in a foreign affiliate stated at \$XXX and \$XXX at December 31, 20X1 and 20X0, respectively, or its equity in earnings of that affiliate of \$XXX and \$XXX, which is included in net income for the years <u>then ended</u> as described in Note X to the consolidated financial statements; nor were we able to satisfy ourselves as to the carrying value of the investment in the foreign affiliate or the equity in its earnings by other auditing procedures. The example has a spacing issue at the then ended at “years <u>then ended</u> as described in Note X.”</p>	
Application Materials/Guidance			
	Crowe	<p>We note that the extant AU-C section 600 includes the following application guidance: “.A65 Consideration of all components, regardless of whether reference is made in the auditor’s report on the group financial statements to the audit of a component auditor, is necessary when determining component materiality to reduce the risk that the aggregate of detected and undetected misstatements in the group financial statements exceeds materiality for the group financial statements as a whole. Determining component materiality is necessary for the group engagement team to determine the overall group audit plan for the components for which the auditor of the group financial statements is not making reference to the component auditor.”</p> <p>We believe similar application guidance should be included in the proposed SAS. While the group auditor is not taking responsibility for the portion of the group for which the group auditor is referring to a referred-to auditor, the group auditor still must consider all components to sufficiently address aggregation risk in the group financial statements and to develop the audit plan for the components for which the group auditor is taking responsibility. Without such guidance, we believe that group auditors may not design and plan their audits to sufficiently reduce the aggregation risk inherent in a group audit.</p> <p>In addition, related to the definition of component in paragraph 16 of the proposed SAS, we believe it would be beneficial to include application guidance to help auditors of employee benefit plans understand scenarios where a plan may have more than one component. The following is suggested language, which we recommend placing after paragraph A22:</p>	

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		<p><i>Considerations Specific to Employee Benefit Plans</i> (Ref: par. 16) In audits of employee benefit plans, a component may be a separate legal entity or subsidiary, or part of the plan which operates separately, such as in a plan merger where the merged plans are still being administered separately and the assets of the merged plans are being held in separate trusts.</p>	
	EY	<p>We believe there is a risk that without sufficient guidance for the following situations, firms may not apply the requirements consistently:</p> <ul style="list-style-type: none"> • Our understanding is that the “use of the work of another practitioner” in the first sentence of paragraph 33 of AT-C section 105 is not intended to address all situations in which the work of another practitioner is used (for example, a service auditor’s report). We encourage the Board to clarify the distinction between “use of the work of another practitioner” and reliance on another practitioner’s report in this paragraph or in the application paragraph. • We believe the ASB should consider new guidance or clarifications to existing guidance to address how an auditor should apply procedures over attestation reports other than service organization reports. We have observed an increase in the use of other reports as audit evidence and believe guidance is needed in this area. 	
	PwC	<p>We encourage the ASB to consider whether it might be helpful to develop illustrative interoffice/interfirm reports, for inclusion either in the proposed SAS or as non-authoritative guidance to support the standard. Doing so may help build consistency in practice. Alternatively, this could be undertaken as part of a broader exercise to determine whether other examples of how firms in the US may be requested to communicate with each other (e.g., in the case of predecessor/successor auditors) would be helpful to auditors.</p>	
	RSM	<p>Paragraph 28 of the proposed SAS requires the group engagement partner to determine that component auditors have sufficient time to perform the assigned audit procedures at the component. We believe it would be helpful if additional guidance was provided in paragraph .A70 regarding how the group engagement partner would determine whether component auditors have sufficient time to perform the assigned audit procedures at the component.</p>	
	RSM	<p>We note that the AICPA has issued technical questions and answers (e.g., question .23 of Q&A Section 8800) related to the performance of group audits, which will need to be updated upon the finalization of the proposed SAS.</p>	
	TXCPA	<p>The PSC thought it would be helpful to address SOC letters in the group audit process, including an example depicting testing controls at a Service Center.</p>	

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Requirements			
	Crowe	<p>Paragraph 28a requires that the group engagement partner “Determine that component auditors have the appropriate competence and capabilities, including sufficient time, to perform the assigned audit procedures at the component”. While we agree that the group engagement partner must evaluate the competence and capabilities of a component auditor, we are unclear how the group engagement partner can “determine” that the component auditor has “sufficient time” to perform their work. Further, we note an explicit documentation requirement related to this in paragraph 76. A208 indicates that “The group auditor also may ask for confirmation that the component auditor has sufficient time to perform the assigned audit procedures.” The group engagement partner likely does not have access or visibility to the resource capacity or scheduling of the component auditor; thus, it is unclear how the group engagement partner could satisfy this requirement other than to confirm with the component auditor. This element of the requirement in 28a does not appear to contribute meaningfully to audit quality. We recommend that “including sufficient time” be removed from the requirement in paragraph 28a and included only in the related application guidance. Alternatively, or in addition, the application guidance could be modified to provide additional ways in which the group engagement partner might determine if the component auditors have sufficient time allotted to perform their assigned procedures.</p>	
	Crowe	<p>Paragraph 32 in the proposed SAS repeats some, but not all, of paragraph 19 from AU-C section 315 (as modified by SAS No. 145). We are unclear why some required elements from AU-C section 315, specifically related to inherent risk factors that may give rise to the existence of risks of material misstatement of the group financial statements at the assertion level, are only provided in application guidance and Appendix B. We believe this creates the potential for auditors to overlook those elements of the requirements of AU-C section 315, if they are focused on the content included in paragraph 32 of the proposed SAS on group audits.</p> <p>Relates to Request for Comment No.1b</p>	
	Crowe	<p>We agree with paragraph A128 in the proposed SAS that the group auditor does not need to determine component materiality for components that are audited by referred-to auditors. However, we believe that the group auditor does need to take into consideration the portion of the group financial statements being audited by referred-to auditors when determining the component materiality to use for the components to be audited by the group auditor or through involving component auditors. As stated in paragraph A19 of the proposed SAS, regardless of whether reference is made in the auditor’s report on the group financial statements to the report of a referred-to auditor, the group engagement partner or the group engagement partner’s firm is responsible for the group audit opinion.</p>	
	Crowe	<p>We also agree with the content in paragraphs 22 and 23 of the proposed SAS and the related application guidance in A42. However, we note that the requirements in paragraphs 22 and 23 relate to when the group engagement partner “concludes that it will not be possible for the group auditor to obtain sufficient appropriate audit evidence due to restrictions imposed by group management”. We find that in the acceptance and continuance phase, it is unlikely the group engagement partner can definitively make such a conclusion. The application guidance in A42 relates to the situation where “Restrictions may be imposed after the group engagement partner’s acceptance of the group audit engagement.” We suggest that paragraphs 22 and 23 be revised to reflect the group engagement</p>	

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		<p>partner’s considerations and expectations in the acceptance and continuance stage of the engagement, which could lead to a decision not to accept the engagement, as noted in paragraph 23.a.i. Further, we suggest that the requirements in paragraph 22 and 23 based on the determinations made post-acceptance of the group audit engagement be relocated to a separate section of the proposed SAS, along with the related application guidance.</p>	
	Deloitte	<p>In February 2022, the International Ethics Standards Board for Accountants (IESBA) issued an exposure draft, <i>Proposed Revisions to the Code Related to the Definition of Engagement Team and Group Audits</i>, which proposed revisions to the International Code of Ethics for Professional Accountants to take into account changes made to the IAASB’s quality management suite of standards and group audits standard, particularly the expansion of the definition of engagement team to include non-network component auditors. We recommend that the Professional Ethics Executive Committee (“PEEC”) of the AICPA monitor this IESBA project and undertake its own project to revise the AICPA’s Code of Professional Conduct (“the Code”) for convergence purposes. As part of considering what changes are needed to the Code, it is important for PEEC to clearly articulate the independence requirements of non-network component auditors and ensure that these independence requirements are focused on relationships with those entities that are more likely to threaten the individual’s independence, which may be different from those requirements necessary when a component auditor is from a network firm. Please see the Deloitte Touche Tohmatsu comment letter to the IESBA exposure draft for our detailed thoughts on amendments to the ethics and independence requirements. We also recommend that a PEEC project be undertaken in the near term so that the effective date of the proposed SAS and the effective date of proposed changes to the Code can be aligned as much as possible.</p>	
	John Keyser	<p>Paragraph 66 requires the group auditor to request the performance of audit procedures to identify subsequent events by the component or referred-to-auditors. However, paragraph 67 requires the group auditor to request the component auditors to notify them if they become aware of subsequent events. I recommend that paragraph 67 also require this request to be made of referred-to-auditors.</p>	
	KPMG	<p>We included additional comments below related to ethics requirements, including those related to independence, for the Board’s consideration.</p> <p>i. The International Ethics Standards Board for Accountants released the Exposure Draft <i>Proposed Revisions to the Code Relating to the Definition of Engagement Team and Group Audits</i> (IESBA ED), with proposed revisions to the International Code of Ethics for Professional Accountants (the IESBA Code). Paragraph A68 of the proposed SAS noted that “when the component auditor is not subject to the AICPA Code of Professional Conduct, compliance by the component auditor with the ethics and independence requirements set forth in the International Federation of Accountants Code of Ethics for Professional Accountants is sufficient to fulfill the component auditor’s ethical responsibilities in the group audit”. As the proposed SAS allows for compliance with the IESBA Code, we recommend the Board to consider the interaction of the IESBA ED and the proposed SAS as it relates to compliance with ethical requirements, including those related to independence, particularly with regard to non-network component auditors involved in a group audit.</p> <p>For example, the IESBA ED includes provisions requiring individuals participating in the group audit (including those from a non-network component audit firm) to be independent of the group and the</p>	

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		<p>group’s related entities (affiliates). The IESBA ED proposes separate independence requirements applicable to non-network component auditor firms. KPMG International has provided responses to the IESBA ED via a separate comment letter that we attached for your reference (particularly our response to question 4 in Appendix A). If the provisions in the IESBA ED are adopted as proposed, the IESBA Code may include different independence requirements from those outlined in the proposed SAS. We recommend the Board to consider such interaction and provide further guidance as necessary to drive consistent application in practice.</p> <p>ii. We appreciate the conforming amendments outlined in Appendix C of the Exposure Draft. As <i>referred-to auditor</i> is a new term defined in the proposed SAS, we recommend the Board also consider working with the Professional Ethics Executive Committee on conforming amendments to the AICPA Code of Professional Conduct by incorporating referred-to auditor where appropriate (in particular paragraph 0.200.020.03c) when <i>component auditor</i> is currently used.</p>	
	PwC	<p>We support the enhanced focus expressed in paragraph 32 of the proposed SAS to understand the group and its environment. The structure of a group and its financial reporting processes and controls play a significant role in determining how best to approach a group audit, the key judgments that need to be made around the determination of components, and how component auditors are involved in the audit. Such judgments need to be based on a preliminary understanding of how management views and controls the business, taking into account the group, its structure, its financial reporting processes, and system of internal control. Different approaches may be justified depending on the group’s structure and circumstances.</p> <p>We understand the benefit of enhanced focus on describing how component auditors may support the identification and assessment of risks of material misstatement of the group financial statements, and the design of procedures to respond to those assessed risks. However, the proposed SAS should not be read as suggesting that it is always necessary to involve component auditors in this manner (e.g., the group auditor may choose not to involve the component auditor in the risk assessment when the work at the component comprises only “specific further audit procedures”).</p>	
	SL	<p>The inclusion of a named referred-to auditor auditor’s report seems a little excessive in terms of burden on the group auditor. If the referred-to auditor is stated and named, along with date of the referred-to auditor’s report, that should be more than sufficient, without increased burden on obtaining a copy of the report for inclusion. Some firms may agree to being mentioned or named, but providing a copy of a report separate and secured and tied to the financials for which they were issued with, could provide undue risk to the fraudulent use of an auditor’s report, letterhead, or signature, or could be taken out of context and exposing the referred-to auditor to risk associated with the group company, outside of their scope of the component.</p> <p>Relates to Request for Comment No.11</p>	
Clarification Needed			
	CLA	We recommend the ASB clarify the responsibilities of component auditors when performing audit procedures designed by group auditors from a firm other than the component auditor’s firm.	

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		Specifically, we recommend the ASB provide additional guidance regarding the nature of the component auditor’s engagement and the form of communicating the component auditor’s overall findings and conclusions.	
	Crowe	We agree that the group auditor should take responsibility for the identification and assessment of the risks of material misstatement of the group financial statements and the nature, timing, and extent of further audit procedures to be performed. We find it appropriate and beneficial to audit quality to clarify in the proposed SAS that the group auditor is permitted to assign the design or performance of procedures, tasks, or actions to other appropriately skilled or suitably experienced members of the engagement team, including component auditors. We note that in many cases, a component auditor may have more experience with and/or more detailed knowledge about a particular component and its environment, such as in the case where the component auditor also performs a stand-alone audit for that component. The component auditor may be in the best position to design and perform further audit procedures.	
	Crowe	<p>Related to the definition of component, we note that the extant standard provides the following: “An entity or business activity for which group or component management prepares financial information that is required by the applicable financial reporting framework to be included in the group financial statements.” We believe that the preparation of financial information is a key element of the identification of a component. We recommend the ASB re-insert such language in the definition of component in the proposed SAS.</p> <p>Relates to Request for Comment No. 6</p>	
	Deloitte	<p>Paragraph A96 of the proposed SAS states that the group engagement partner may become aware of information about noncompliance or suspected noncompliance with law or regulations, and in such circumstances, may have an obligation under relevant ethical requirements, laws, or regulations to communicate the matter to the component auditor. Paragraphs 22-23 of the “Responding to Noncompliance With Laws and Regulations” interpretation of the AICPA Code of Professional Conduct (“the interpretation”), as adopted by PEEC in February 2022, address such relevant ethical requirements:</p> <p><i>.23 If the group audit engagement partner becomes aware of noncompliance or suspected noncompliance in the course of a group audit engagement, including as a result of being informed of such a matter in accordance with paragraph .22, the group audit engagement partner should, in addition to responding to the matter in the context of the group audit engagement in accordance with the provisions of this section, consider whether the matter may be relevant to one or more components whose financial or other information is subject to procedures performed for purposes of the group audit engagement.</i></p> <p><i>In these circumstances, the group audit engagement partner should take steps to have the noncompliance or suspected noncompliance communicated to those performing work at components where the matter may be relevant, unless prohibited from doing so by law or</i></p>	

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		<p style="text-align: center;"><i>regulation.</i></p> <p>In considering the interpretation, we acknowledge certain definitional changes in the proposed SAS. The proposed SAS changes the definition of the term component auditor and introduces the term referred-to auditor. The extant AU-C section 600 definition of component auditor includes both (a) an auditor whose work the group engagement partner assumes responsibility for, and (b) an auditor whose work the group engagement partner does not assume responsibility for, and accordingly, makes reference to. The auditor described in (b) is no longer defined as a component auditor in the proposed SAS, and instead, is defined as a referred-to auditor. Definitions are as follows:</p> <p style="text-align: center;"><u>Definitions in Extant AU-C Section 600</u></p> <p>Component auditor. <i>An auditor who performs work on the financial information of a component that will be used as audit evidence for the group audit. A component auditor may be part of the group engagement partner’s firm, a network firm of the group engagement partner’s firm, or another firm.</i></p> <p style="text-align: center;"><u>Definitions in the Proposed SAS</u></p> <p>Component auditor. <i>An auditor who performs audit work related to a component for purposes of the group audit. A component auditor is a part of the engagement team for a group audit.</i></p> <p>Referred-to auditor. <i>An auditor who performs an audit of the financial statements of a component to which the group engagement partner determines to make reference in the auditor’s report on the group financial statements. A referred-to auditor is not a component auditor, and accordingly, is not a part of the engagement team for a group audit.</i></p> <p>We believe the interpretation is unclear as to whether noncompliance or suspected noncompliance should be communicated to referred-to auditors. Moreover, we believe it is uncertain whether PEEC intends for:</p> <ol style="list-style-type: none"> 1. The language “components whose financial or other information is subject to procedures performed for purposes of the group audit engagement” in paragraph 23 of the interpretation to mean components that are audited by component auditors and referred-to auditors, or alternatively, only components that are audited by component auditors (as defined in the proposed SAS). 2. The language “those performing work at components” in paragraph 23 of the interpretation to mean component auditors and referred-to auditors, or alternatively, only component auditors (as defined in the proposed SAS). 	

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		<p>Accordingly, we question whether the guidance in the proposed SAS in paragraph 96 that the group engagement partner may have an obligation to communicate noncompliance or suspected noncompliance to component auditors, but not to referred-to auditors, is correct.</p> <p>It is our belief that this matter needs to be clarified by PEEC (including consideration as to whether amendments are necessary to clarify the interpretation with respect to referred-to auditors), such that the appropriate interpretation can then be included in the proposed SAS, as appropriate. Therefore, we recommend the ASB to engage with PEEC, as outlined below, to clarify PEEC’s intention in the interpretation with respect to referred-to auditors:</p> <ol style="list-style-type: none"> 1. We recommend the ASB to confirm that PEEC has a clear understanding of the definitional changes in the proposed SAS (i.e., referred-to auditor and component auditor), including an understanding of the circumstances when the group engagement partner makes reference to the audit of a referred-to auditor in the auditor’s report on the group financial statements. 2. We recommend the ASB to confirm whether it is PEEC’s intention for noncompliance or suspected noncompliance to be communicated to (a) only component auditors or (b) both component auditors and referred-to auditors. 3. Based on PEEC’s confirmed intention, we recommend the ASB to consider whether revisions to the proposed SAS are necessary to clarify the obligation (or lack thereof) to communicate noncompliance or suspected noncompliance to referred-to auditors in accordance with the interpretation. <p>While we recommend the ASB to engage with PEEC to resolve this matter, we acknowledge our belief that noncompliance or suspected noncompliance should be communicated to component auditors only and not also to referred-to auditors, given the nature of the group auditor and referred-to auditor’s relationship.</p> <p>Relates to Request for Comment No. 6</p>	
	GAO	<p>Generally, one area that could be clarified relates to paragraph 60 of the proposed SAS regarding the group engagement partner determining whether to name a referred-to auditor, and to present the referred-to auditor’s report, in the auditor’s report on the group financial statements. This could be clarified by noting that this determination is a matter of professional judgment, including references to other relevant AU-C sections the group engagement partner should consider in making this determination.</p> <p>Relates to Request for Comment No. 1b</p>	

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	GT	<p>We continue to have concerns about how the definition of engagement team in SAS 146 will be operationalized, particularly with regard to independence. While we understand this matter is currently with PEEC, it is imperative that the Board collaborate with PEEC as there are broader implications beyond referred-to auditors, as defined by US GAAS. With that in mind, we believe the Board has provided sufficient guidance in the proposed SAS to understand these terms.</p>	
	John Keyser	<p>Paragraph 37 implies that there would be a single level of component performance materiality that would be the same for every account balance and class of transactions audited by the component auditor. This seems inconsistent with the definition of performance materiality in AU-C 320 that require auditors to set multiple levels of performance materiality based on specific circumstances of the entity.</p> <p>Relates to Request for Comment No.1b</p> <p>Paragraph 39 appears to require the group auditor to determine, not only the scope of the audit work, but the specific audit procedures (i.e. “the nature, timing and extent of the work”) to be performed by the component auditor. In contrast, paragraph 44 requires the group auditor to evaluate the appropriateness of the design of the further audit procedures performed by the component auditor. Such an evaluation seems unnecessary if the group auditor is the one who designed the procedures in the first place pursuant to paragraph 39. The Board should clarify whether the group auditor must design the audit procedures or evaluate the procedures designed by the component auditor.</p>	
	NSAA	<p>We recommend clarifying, in paragraph 15, the type of auditor for which the objectives are outlined. In this paragraph, it appears to be the group auditor and if so, this should be noted.</p>	
	SL	<p>Can we ask for clarity, as it pertains to paragraph 60 of the proposed SAS. It refers to when naming referred-to auditor. This seems that it may allow for not referring to the referred-to auditor by name, but by concept. Would this clarify that the specific naming of a referred-to auditor, only require the inclusion of the referred-to auditor report.</p> <p>Relates to Request for Comment No.11</p>	
Early Implementation			
	EY	<p>We expect many firms will need to early adopt them to align with the adoption of ISA 600 (Revised) and the International Auditing and Assurance Standard Board’s suite of new and revised quality management standards. Thus, we strongly encourage the Board to develop transition guidance to help auditors that early adopt the guidance.</p> <p>Implementation of this proposal would require significant effort, including potential discussions across global networks. It would also require early communication and planning with group management and those charged with governance of the group. Implementing a risk-based approach for a group audit would be particularly challenging for initial audits.</p>	

Overall Opinion	Commenter	Comment	Response to Comment
		Relates to Request for Comment No.13	
	KPMG	<p>We understand that consistent with the Board’s drafting conventions, early adoption of the proposed SAS is permitted when there is no explicit language that states otherwise. As a global network firm, the ability to early adopt the proposed SAS will be critical as we implement ISA 600 [Revised] with an effective date for audits of group financial statements for periods beginning on or after December 15, 2023.</p> <p>Relates to Request for Comment No.13</p>	
	RSM	<p>We note that International Standards on Auditing (ISA) 600 (revised), <i>Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)</i>, is effective for audits of financial statements for periods beginning on or after December 15, 2023, which is prior to the effective date for the proposed SAS. Because several firms have global audit methodologies and because the proposed SAS substantially converges with ISA 600, it would be helpful if the proposed SAS provided for early adoption.</p> <p>Relates to Request for Comment No.13</p>	
	OSCPA	<p>Some of the concepts in the standard would be good current guidance, and perhaps application materials could point to concepts that can be implemented immediately.</p> <p>Relates to Request for Comment No.13</p>	
	TXCPA	<p>No indication was given on whether or not early implementation of the proposed SAS is allowed.</p> <p>Relates to Request for Comment No.13</p>	
Changes to Other AU-C Sections			
	GT	<p>We support the proposed requirement being added to AU-C section 935 regarding the use of other auditors in a compliance audit.</p> <p>In considering the proposed changes to paragraph 78 of AU-C section 940, we noted a reference to the “auditor’s report on the group financial statements” (in the fifth line down as presented in the proposed SAS), which we believe should refer to the “auditor’s report on ICFR” instead.</p>	
	RSM	<p>We submit the following comments related to certain of the proposed amendments to the other AU-C sections:</p> <ul style="list-style-type: none"> • Because the proposed changes to paragraph A31 of AU-C Section 550, <i>Related Parties</i>, discuss the communications that apply to group audits, particularly those that involve component auditors or when reference is made to referred-to auditors, we suggest that it would be helpful if paragraph A31 included a footnote that references paragraphs 33b, 34b, 62b and 62d(ii) of proposed AU-C Section 600. 	

Overall Opinion	Commenter	Comment	Response to Comment
		<p>We note that as proposed, paragraph .02 of AU-C Section 805, <i>Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement</i>, would cause AU-C Section 805 to not apply to circumstances in which audit procedures are performed by a component auditor. We believe Section 805 also should not apply to the audit of the referred-to auditor. Therefore, we suggest that proposed paragraph .02 of AU-C Section 805 be revised as follows (our proposed additions are noted in bold font):</p> <p>.02 This section does not apply to (a) circumstances in which the audit procedures are performed by a component auditor on the financial information of a component for purposes of an audit of group financial statements, or (b) the report of a referred-to auditor issued as a result of work performed on the financial information of a component for purposes of an audit of group financial statements (see proposed Statement on Auditing Standards <i>Special Considerations — Audits of Group Financial Statements [Including the Work of Component Auditors and Audits of Referred-to Auditors]</i>).</p> <ul style="list-style-type: none"> • We suggest the following additional clarifying revision to paragraph 79.a. of AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, (our proposed addition is noted in bold font): • a. the group engagement partner has determined that the referred-to auditor has performed an audit of the component’s ICFR in accordance with the relevant requirements of GAAS (or, if applicable, the standards promulgated by the PCAOB) 	