

# AOB ALERT

TO AUDITORS

JAN 2025



**Suruhanjaya Sekuriti**  
Securities Commission  
Malaysia

## Audits of Group Financial Statements



The ISA 600 (Revised) *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* (ISA 600 (Revised)) was issued by the International Auditing and Assurance Standards Board (IAASB) in April 2022. The objective of ISA 600 (Revised) is to enhance the auditor's approach in planning and performing a group audit.

ISA 600 (Revised) requires sufficient and appropriate involvement of the group engagement partner throughout the group audit and emphasises that the group engagement partner is ultimately responsible and accountable to meet all the requirements in ISA 600 (Revised) which is effective for audits of group financial statements for periods beginning on or after 15 December 2023.

Group auditors, which comprises group engagement partner and members of engagement team, are expected to–

- plan and perform group audits with professional scepticism and exercise professional judgement;
- direct and supervise component auditor;
- review component auditor's work; and
- document the review accordingly.

Further information on background and significant changes of the ISA 600 (Revised) are highlighted in the IAASB's fact sheet, *Introduction to the ISA 600 (Revised)*.

Common observations surrounding the complexity of multi-location audit were raised during the conduct of the AOB's inspection. The main root cause was due to inadequate evaluation of work performed by component auditors and over-reliance on information provided by foreign audit clients.

In view of the above, the auditors are reminded to pay particular attention on the following areas of focus when discharging their responsibilities as group auditors.

## Areas of Focus



Update firm's audit methodology on group audits in accordance with the requirements of ISA 600 (Revised) and execute it consistently across the firm.



Take a step back and revisit procedures performed to obtain an understanding of the group, its environment and system of internal control, particularly whether there is any complex organisational structure within the group, related party relationships/ transactions or complex business arrangements. This includes basis of group auditor's determination of components.



Obtain agreement from group management to provide auditor with unrestricted access to all information and persons which are relevant to preparation of the group financial statements.



Evaluate the component auditors' communications and the adequacy of their work, particularly when component auditors are determining further audit procedures to be performed for areas of higher assessed risks of material misstatements, including obtaining copies of analysis, audit work procedures and details of accounts of the components. This will provide a better understanding and information of components in the group audit file.



Co-ordinate and communicate effectively with the component auditors at appropriate times throughout the group audit to ensure effective outcome from the audit.



Be mindful of own level of familiarity with the laws, regulations, reporting requirements and common practices in foreign jurisdictions when reviewing the work of component auditor.



In situations where there is insufficient evidence provided by the component auditor, the group auditor shall determine additional applicable audit procedures to be performed and the relevant party that should perform these procedures.



**Ensure that the audit documentation for group audit engagement is sufficient for a third-party experienced auditor to walk through all the audit processes and land on the same conclusion with the group auditor.**

The above list is intended as a guidance for directors and auditors and is not exhaustive. Auditors are advised to consider the areas of focus, taking into account the differences in the complexities of group structures, industries, situations and operating environments in which the PIEs operate.