Group Audits and the Evolving Role of ISA 600 in 2026

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Group audits continue to present unique challenges for auditors, particularly with the evolving requirements under International Standard on Auditing (ISA) 600, which now includes important revisions. As organisations expand across multiple jurisdictions and entities, auditors must meet the comprehensive, often complex, auditing requirements for group financial statements. ISA 600, which deals with the audit of group financial statements, provides clear guidance for auditors overseeing the consolidation of financial information from parent companies and subsidiaries. The revised standard mandates a more rigorous approach to identifying and evaluating risks, assessing group-wide controls, and overseeing auditors involved in components. In 2026, these updated requirements are more critical than ever, with greater scrutiny on audit quality, transparency, and the application of professional judgement.

The Role of ISA 600 in Group Audits

ISA 600 outlines the procedures and responsibilities for auditors when auditing group financial statements, ensuring that the financial statements accurately reflect the group's financial position. The standard helps auditors navigate the complexities associated with group consolidations, including intercompany transactions, cross-border regulations, and different accounting policies across entities. The revised ISA 600 places a stronger emphasis on risk-based planning and procedures across the entire group, reflecting the increasingly intricate nature of multi-location audits. A key change in the revised standard is the focus on a more holistic risk assessment at the group level, rather than simply evaluating risks at individual component levels. The group auditor must have a clear understanding of the group structure, incorporating all components, even those not directly audited by the lead auditor. This broader scope of understanding allows auditors to address potential risks at a group-wide level, considering both component and group risks.

Key Areas of Focus under the Revised ISA 600

Group Auditor’s Responsibilities

ISA 600 requires the group auditor to gain a thorough understanding of the group’s internal control systems and how they operate across different components. The group auditor must ensure that appropriate audit evidence is gathered from component auditors, particularly where different firms or auditors are involved in different locations. This includes evaluating the work of component auditors and ensuring their findings align with the group’s audit strategy. The revised ISA 600 places increased emphasis on the group engagement partner (the lead auditor for the consolidated entity), who is responsible for overseeing, guiding, and maintaining continuous oversight of the entire group audit. This updated approach requires group auditors to evaluate not just the risks identified at the component level, but also the overall impact on the consolidated financial statements. Furthermore, group auditors must ensure effective communication and coordination among all involved auditors, including component auditors.

Evaluating Component Auditors’ Work

One of the ongoing challenges in group audits is ensuring that the work of component auditors is sufficiently appropriate for the group audit. The revised ISA 600 provides further clarity on the need for the group auditor to assess the competence, capabilities, and objectivity of component auditors to carry out their work in line with the group audit strategy. This includes ensuring the adequacy of the evidence provided by component auditors and, where necessary, performing additional procedures to address any deficiencies or concerns. The revised standard places emphasis on the importance of avoiding extremes in allocating materiality to components. Setting materiality levels too high or too low can introduce significant audit risk. Group auditors must apply benchmark multiples to determine a reasonable upper bound for materiality, ensuring that components are audited appropriately without the risk of over- or under-auditing.

Risk of Material Misstatement

ISA 600 continues to stress the importance of identifying and evaluating risks of material misstatement, both at the group and component levels. The group auditor must ensure that all risks identified, including fraud risks and those related to consolidation adjustments, are considered in the group audit plan. In line with the revised standard, auditors must apply a risk-based approach across the group, ensuring that any risks at the component level are properly addressed to avoid potential material misstatements in the consolidated financial statements. This also involves understanding how risks are addressed at the component level and ensuring they align with the overall risk management strategy at the group level.

Consolidation and Intercompany Transactions

Auditors must carefully scrutinise the consolidation process and the elimination of intercompany transactions. The group auditor must ensure the accuracy of intercompany eliminations and adjustments, as these are critical for presenting consolidated financial statements that do not overstate revenues, expenses, assets, or liabilities. The revised standard emphasises the importance of the group auditor understanding the consolidation adjustments and ensuring they align with the group’s overall financial reporting. Proper consolidation is essential for a true and fair view of the group’s financial position.

Cross-Border and Jurisdictional Considerations

As group audits often involve multiple jurisdictions, auditors must be aware of the various auditing standards, tax laws, and financial reporting regulations in play. ISA 600 requires the group auditor to gain an understanding of how local variations in law and auditing standards could impact the overall audit. The revised standard requires a broader consideration of cross-border risks, ensuring that they do not compromise the integrity of the group’s consolidated financial statements.

Governance and Audit Oversight

ISA 600 continues to highlight the importance of robust governance in ensuring that the audit process is thorough and comprehensive. The role of the audit committee is critical in overseeing the progress of the audit, addressing challenges that arise, and ensuring appropriate follow-up actions. Senior management overseeing the group must ensure that the work conducted across all components is aligned with the group’s overall governance framework.

Audit Implications for Group Audits

The revisions to ISA 600 mean that the implications for auditors are significant. Group audits now require a more detailed understanding of the risks and procedures that extend beyond individual components to the group as a whole. External auditors will focus on whether the group auditor has properly addressed key areas, such as risk assessment, component auditor oversight, and consolidation adjustments. Failure to follow the updated principles could lead to issues with audit quality, increased scrutiny, and potential regulatory consequences.

Conclusion: Effective Group Auditing in 2026

Looking ahead to 2026, the evolving role of ISA 600 will demand that auditors become increasingly attuned to the dynamic nature of group audits. Moving forward, organisations must prioritise strengthening their internal controls, particularly in areas such as risk identification and management across subsidiaries. Auditors will need to focus more on ensuring consistency in applying risk-based strategies across the entire group, enhancing communication between auditors in different jurisdictions, and evaluating intercompany transactions with greater scrutiny. To ensure effectiveness, auditors will need to be vigilant in their assessment of risks at both the group and component levels and provide greater oversight of component auditors. With the evolving complexity of group structures and increasing cross-border challenges, it is critical that auditors adapt their approach to meet the requirements of revised standards ISA 600, ensuring that their audits provide a transparent and accurate view of the group's financial position. Senior management must continue to provide strong leadership, supporting the audit process and fostering a governance framework that promotes audit quality and regulatory compliance.