

**INTERNATIONAL STANDARD ON AUDITING 600  
CONSIDERING THE WORK OF OTHER AUDITORS  
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International Standards on Auditing (ISAs) are to be applied in the audit of financial statements. ISAs are also to be applied, adapted as necessary, to the audit of other information and to related services.<sup>1</sup>

ISAs contain the basic principles and essential procedures (identified in bold type black lettering) together with related guidance in the form of explanatory and other material. The basic principles and essential procedures are to be interpreted in the context of the explanatory and other material that provide guidance for their application.

To understand and apply the basic principles and essential procedures together with the related guidance, it is necessary to consider the whole text of the ISA including explanatory and other material contained in the ISA not just that text which is black lettered.

In exceptional circumstances, an auditor may judge it necessary to depart from an ISA in order to more effectively achieve the objective of an audit. When such a situation arises, the auditor should be prepared to justify the departure.

ISAs need only be applied to material matters.<sup>2</sup>

The Public Sector Perspective (PSP) issued by the Public Sector Committee of the International Federation of Accountants is set out at the end of an ISA. Where no PSP is added, the ISA is applicable in all material respects to the public sector.

<sup>1</sup> To be reconsidered once the proposed preface to IAASB pronouncements has been finalized.

<sup>2</sup> See footnote 1.

## Introduction

1. The purpose of this International Standard on Auditing (ISA) is to establish basic principles and essential procedures and to provide guidance when a group auditor considers the work of other auditors in an audit of group financial statements.
2. **When group financial statements include financial information of components that are audited by other auditors, the group auditor should consider how the work of the other auditor will affect the audit of the group financial statements.**
3. The local regulations in most countries determine that the group auditor is responsible for the audit opinion on the group financial statements. However, in some countries the group auditor is permitted to share the responsibility for the auditor's report on the group financial statements with other auditors. This is referred to as "division of responsibility" and is discussed in paragraphs 39 and 40.
4. Where division of responsibility is not permitted, the group auditor has to determine what work needs to be performed to enable the group auditor to take sole responsibility for the auditor's report on the group financial statements. Where components are audited by other auditors, the group auditor considers how the work of the other auditors affects the group auditor's work, and the extent of work to be performed by the group auditor to enable the group auditor to express an audit opinion on the group financial statements. The fact that another auditor has performed an audit of a component's financial statements is a major factor in the group auditor's consideration; however, the group auditor cannot simply accept the other auditor's work without further consideration and, if appropriate, further work. Accordingly, the group auditor does not refer in the auditor's report on the group financial statements to the work of the other auditor, except as discussed in paragraph 37.
5. Although written in the context of an audit of group financial statements, the basic principles, essential procedures and guidance in this ISA also apply:
  - (a) To the audit of financial statements (prepared in accordance with an applicable financial reporting framework or other suitable criteria) that combine the financial information of components, that is, where a parent does not exist. In this case, reference to group financial statements is read as reference to the combined financial information, and reference to parent management is read as reference to those responsible for the preparation and presentation of the combined financial information; and
  - (b) When an auditor plans to use the work of another auditor in a context other than the audit of group financial statements, for example to obtain audit evidence in relation to inventory held at a remote location.
6. Although the basic principles, essential procedures and guidance in this ISA apply to joint audits of group financial statements, this ISA does not deal with the professional relationship between joint auditors.
7. The auditor's procedures when the financial statements for the prior period were audited by another auditor are set out in ISA 510 "Initial Engagements – Opening Balances."

## Definitions

8. "Group auditor" means the auditor with final responsibility for the auditor's report on the group financial statements.

9. “Other auditor” means an auditor, other than the group auditor, reporting on financial information of a component, and includes an auditor from:
- (a) The group auditor’s office;
  - (b) Other office of the group auditor’s firm, whether using the same name or not;
  - (c) A network firm, whether using the same name or not;
  - (d) A correspondent; and
  - (e) An unrelated firm.
10. “Network firm” means an entity under common control, ownership or management with the group auditor’s firm or any entity that a reasonable and informed third party having knowledge of all relevant information would reasonably conclude as being part of the group auditor’s firm nationally or internationally.
11. “Group” means a parent and its components.
12. “Parent” means an enterprise that has one or more components.
13. “Component” means a division, branch, subsidiary, joint venture, associated company or other entity whose financial information is included in the group financial statements by means of consolidation or equity accounting. Components could be in the same location as the parent or in multiple locations.
14. “Group financial statements” means the financial statements of a group presented as those of a single enterprise.
15. “Other auditor’s report” means formal written correspondence from the other auditor addressed to the group auditor, summarizing the conclusions reached by the other auditor based on the work performed in accordance with the group auditor’s requirements, for example an auditor’s report or memorandum.

### **Acceptance and Continuance as Group Auditor**

16. **The group auditor should consider whether the group auditor’s level of proposed participation is likely to be sufficient and appropriate to be able to act as group auditor.** For this purpose the group auditor, based on a preliminary understanding of the business activities of the parent and its components, considers:
- (a) The materiality of the portion of the group financial statements that the group auditor audits;
  - (b) The portion of the group financial statements audited by other auditors from the group auditor’s office, other offices of the group auditor’s firm and network firms;
  - (c) The likely risks of material misstatement of the group financial statements; and
  - (d) The likely ability to obtain sufficient appropriate audit evidence to reduce those risks to an acceptably low level (including the group auditor’s ability to obtain access to component information, component management and the other auditor, and the likelihood of the group auditor being satisfied with the other auditors’ work).
17. When as a result of the consideration of the matters in paragraph 16(a)-(d) the group auditor concludes that the group auditor’s level of proposed participation is unlikely to be sufficient

and appropriate to be able to act as group auditor, the group auditor does not accept or continue the engagement.

### **Access to Information**

18. **Where relevant, the group auditor should request parent management to arrange with component management for the group auditor to have access to component information, component management and the other auditor.**
19. In some circumstances there may be restrictions on the group auditor's access to component information, component management or the other auditor, for example when a subsidiary operates in a foreign jurisdiction or in the case of an associated company. If this difficulty cannot be resolved through the parent management, the group auditor considers the likely impact of this scope limitation on the auditor's report on the group financial statements.

### **Other Auditors from the Group Auditor's Office, Other Offices of the Group Auditor's Firm and Network Firms**

20. If the other auditor is from the group auditor's office, another office of the group auditor's firm or a network firm, the group auditor and the other auditor may have a continuing, formal relationship that may provide assurance to the group auditor that acceptable quality control policies and procedures are complied with in the conduct of the other auditor's work, for example periodic inter-firm reviews, tests of operating policies and procedures and review of working papers of selected audits. In addition, they may have common policies on recruitment, training, advancement, and audit methodology and auditor independence.
21. The group auditor considers the impact that this formal relationship, and the assurance to be obtained from it, may have on the nature, timing and extent of the group auditor's procedures in relation to the other auditor's work and report.

### **The Group Auditor's Procedures in Relation to the Other Auditor's Work and Report**

22. **The group auditor should consider whether the work of the other auditor is likely to provide sufficient appropriate audit evidence in relation to the component's financial information. In determining the nature, timing and extent of the audit procedures to be performed in relation to the other auditor's work and report, the group auditor should consider the following:**
  - (a) **The group auditor's evaluation of information obtained with regard to the professional qualifications, independence, professional competence and resources of the other auditor.**
  - (b) **Where relevant, representation from the other auditor that the other auditor's quality control process complies with the quality control standards of the International Federation of Accountants as they relate to the audit of financial statements.**
  - (c) **Whether the component, individually or together with other components, may give rise to risks of material misstatement of the group financial statements.**
  - (d) **Whether, in the specific circumstances set out in paragraph 39, the auditor's report on the group financial statements refers to a division of responsibility.**
23. The group auditor obtains information about the professional qualifications, independence, professional competence and resources of the other auditor. This information is obtained from various sources, for example from the other auditor (by way of questionnaire or representation), professional colleagues, the professional body to which the other auditor

belongs or the authority by which the other auditor is licensed. Previous contacts with the other auditor and reviews of the other auditor's work will provide the group auditor with information about the professional competence of the other auditor. Of particular importance in the context of an audit of group financial statements, is the other auditor's competence in relation to the financial reporting framework applicable to the parent.

24. The group auditor considers obtaining written representation as to whether the other auditor's quality control process complies with the quality control standards of the International Federation of Accountants (IFAC) as they relate to the audit of financial statements. For example, International Standard on Quality Control 1 "Quality Control for Audit, Assurance and Related Services Practices" requires firms to establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and applicable regulatory and legal requirements and that the practitioner's reports issued by the firm are appropriate in the circumstances. ISA 220 "Quality Control for Audit Engagements" requires the engagement team to implement quality control procedures that are applicable to the individual audit.
25. As discussed in paragraphs 20 and 21, the group auditor's formal relationship with another auditor from the group auditor's office, another office of the group auditor's firm or a network firm may impact the nature and extent of the audit procedures referred to in paragraphs 23 and 24. For example, the group auditor may rely on common policies and procedures on recruitment, training, advancement, and auditor independence when evaluating the professional qualifications, independence, professional competence and resources of the other auditor; and may decide that it is not necessary to obtain a written representation on the other auditor's quality control process, as the group auditor and other auditor follow common quality control policies and procedures.
26. Where, in the group auditor's judgment, significant risks of material misstatement of the group financial statements may arise from a component, individually or together with other components, the group auditor considers the impact that this may have on the nature, timing and extent of the group auditor's procedures. For example, the group auditor considers:
  - Meeting with component management;
  - Participating in the other auditor's planning and risk assessment;
  - Participating in the other auditor's evaluation of audit evidence;
  - Attending the closing and other key meetings of the other auditor and component management; or
  - Reviewing the other auditor's working papers.

### **Communications With the Other Auditor**

27. **The group auditor's requirements should be communicated to the other auditor.**
28. Communications are established between the group auditor and the other auditor during the initial stage of their respective engagements and further communications take place throughout the engagement.
29. The group auditor communicates to the other auditor matters relevant to the other auditor's work and report, for example information regarding the group structure, business activities of the group, and related parties.
30. The other auditor is made aware of the group auditor's requirements and communicates any anticipated problems or other audit matters with the group auditor on a timely basis.

31. The group auditor's requirements ordinarily are communicated in a letter of instruction sent to the other auditor. The letter of instruction includes matters such as:

*Matters Relevant to the Planning of the Other Auditor's Work*

- (a) The timetable for completion of the audit.
- (b) The use that is to be made of the other auditor's work and report, the scope of work to be performed, and arrangements for the coordination of efforts at the initial stage of the audit.
- (c) The materiality level that the group auditor expects the other auditor to use in fulfilling the group auditor's requirements.
- (d) The threshold for reporting to the group auditor identified uncorrected misstatements in the component's financial information.
- (e) The extent to which the group auditor intends to test centralized internal controls and controls common to the components.
- (f) Guidance on other statutory reporting responsibilities, for example reporting on internal control.
- (g) Areas requiring special consideration, such as significant risks of material misstatement of the group financial statements that require special audit consideration.
- (h) Guidance on reporting of intra-group transactions and account balances.

*Matters Relevant to the Conduct of the Other Auditor's Work*

- (i) The application of ISAs, requesting written representation as to compliance with them, as well as with any national requirements applicable to the group financial statements.
- (j) The applicable financial reporting framework, including statutory or other disclosure and financial reporting requirements, requesting written representation as to the component's compliance with them.

*Matters Relevant to the Other Auditor's Report*

- (k) The form and content of the other auditor's report to be provided to the group auditor.
- (l) Procedures for reporting significant accounting estimates and related judgments.
- (m) Procedures for reporting material weaknesses in internal control, fraud, illegal acts and other irregularities to the group auditor.
- (n) Procedures for notifying the group auditor of any significant or unusual events as early as possible.

*Other Information and Representations Required*

- (o) A request for the names of related parties identified in addition to those listed by the group auditor (refer paragraph 29).
- (p) A request for written representation as to compliance with the IFAC *Code of Ethics for Professional Accountants*, including the independence requirements regarding both the parent and the component.

32. When the group auditor issues a letter of instruction, the group auditor requests the other auditor to:
- (a) Acknowledge receipt of the instructions;
  - (b) Advise the group auditor if the other auditor cannot comply with specific instructions for any reason; and
  - (c) Seek clarification from the group auditor if anything in the letter of instruction is unclear.

### **Considering the Other Auditor's Work and Report**

33. **The group auditor should consider the following information obtained from the other auditor:**
- (a) **The other auditor's report, identifying the financial information to which it relates.**
  - (b) **The component's financial information to be included in the group financial statements.**
  - (c) **Other information and representations required by the group auditor.**
  - (d) **A list of identified uncorrected misstatements in the component's financial information that are above the threshold communicated by the group auditor.**
  - (e) **A communication of any other matters which the other auditor wishes to bring to the attention of the group auditor.** Such other matters include the following:
    - Significant accounting, auditing and financial reporting matters.
    - Material weaknesses in internal control, fraud, illegal acts and other irregularities.
    - Matters relating to the going concern status of the component, litigation and claims, and compliance with laws and regulations.
    - Disagreements with component management about matters that, individually or in aggregate, could be significant to the group financial statements of the group auditor's report.
34. **The group auditor should conclude whether the work of the other auditor provides sufficient appropriate audit evidence in relation to the component's financial information and, if not, request the other auditor to perform additional audit procedures or perform additional audit procedures.**
35. The group auditor may require further audit evidence on which to base the group auditor's opinion on the group financial statements. The group auditor may request the other auditor to perform additional audit procedures or seek permission to perform audit procedures on the financial information of the component.

### **Reporting Considerations**

36. **When the group auditor concludes that the work of the other auditor does not provide sufficient appropriate audit evidence, and the group auditor has not been able to perform sufficient additional audit procedures regarding the financial information of the component audited by the other auditor, the group auditor should express a qualified opinion or disclaimer of opinion because there is a limitation in the scope of the audit.**



37. **Except in the specific circumstances set out in paragraph 39, when expressing an unqualified opinion, the group auditor should not refer to the other auditor in the group auditor's report.** As the group auditor is responsible for the auditor's report on the group financial statements, such reference may be misunderstood and interpreted as a qualification of the group auditor's opinion or a division of responsibility. However, when expressing a qualified opinion as a result of the circumstances set out in paragraph 36, the group auditor may refer to the group auditor's inability to use the other auditor's work and report, if the group auditor believes that this disclosure will help to explain the reason for the qualified opinion.
38. **If the other auditor issues, or intends to issue, a modified auditor's report on a component's financial information, the group auditor should consider whether the subject of the modification is of such a nature and significance, in relation to the group financial statements as a whole, that a modification of the auditor's report on the group financial statements is required.**

#### DIVISION OF RESPONSIBILITY

39. The local regulations of some countries permit a group auditor to base the auditor's report on the group financial statements solely upon the report of another auditor regarding the audit of one or more components. **When the group auditor does so, the group auditor's report should state this fact clearly and should indicate the magnitude of the portion of the financial statements audited by the other auditor.**
40. When the group auditor makes such a reference in the group auditor's report, audit procedures are ordinarily limited to an evaluation of the information obtained with regard to the professional qualifications, independence, professional competence and resources, as well as the quality control process of the other auditor.

#### Documentation

41. **In addition to the requirements set out in other ISAs, the group auditor should document the following:**
- (a) **A list of components, indicating how they were included in the group financial statements, the names of other auditors, and the materiality of the components in relation to the group financial statements as a whole.**
  - (b) **The evaluation of information obtained, and conclusions reached, with regard to the professional qualifications, independence, professional competence and resources of the other auditor, and, where relevant, the quality control process of the other auditor.**
  - (c) **The assessment of significant risks of material misstatement of the group financial statements that may arise from components, individually or together, and the group auditor's response to assessed risks.** For example, the group auditor documents the assessed significant risks of material misstatement of the group financial statements arising from each component, as well as the scope of work to be performed on the financial information of each component.
  - (d) **The group auditor's consideration of the significant findings arising from the work of the other auditor.**
  - (e) **The group auditor's conclusion as to whether the work of the other auditor provides sufficient appropriate audit evidence in relation to the component's**

**financial information, as well as any additional procedures performed by the group auditor with regard to the component's financial information.**

- (f) Documentation of meetings with component management and other auditors where significant accounting, auditing and financial reporting matters have been discussed.**

### **Effective Date**

42. This ISA is effective for audits of financial statements for periods ending on or after *[date to be inserted]*. Earlier application of the provisions of this ISA is permissible.

### **Public Sector Perspective**

1. *The basic principles in this ISA apply to the audit of financial statements in the public sector, however, supplementary guidance on any additional considerations when using the work of other auditors in the public sector is needed. For example, the group auditor in the public sector has to ensure that, where legislation has prescribed compliance with a particular set of auditing standards, the other auditor has complied with those standards. In respect to public sector entities, the Public Sector Committee has supplemented the guidance included in this ISA in its Study 4 “Using the Work of Other Auditors—A Public Sector Perspective.”<sup>3</sup>*

<sup>3</sup> PsP not yet considered by PSC.