

Group Audits – Summary of Significant Comments and Task Force’s Related Proposals

Introduction

1. At the June 2004 IAASB meeting, the task force reported that a total of 40 comment letters were received on the December 2003 exposure draft of the proposed revised ISA 600, “The Work of Related Auditors and Other Auditors in the Audit of Group Financial Statements” and the proposed IAPS, “The Audit of Group Financial Statements,” and presented a summary of significant comments and the task force’s related proposals. The task force revised its proposals based on comments received from the IAASB and the IAASB Consultative Advisory Group (CAG), and further consideration of the significant comments.

Consultation

2. Since the June 2004 IAASB meeting, the task force presented the summary of significant comments and revised proposals to the Transnational Auditors Committee, the Forum of Firms, the IFAC Small and Medium Practices Permanent Task Force (SMP Permanent Task Force) and at a joint meeting of the SMP Permanent Task Force and the FEE SME/SMP Working Group.
3. These groups were made aware of the following potential implications of the proposals:
 - (a) Increase in audit fees (for both because no distinction is made between sole and divided responsibility, and because of strengthened procedures).
 - (b) A move to appointing a limited number of auditors for a majority of the components in a group and a resulting negative effect for SMPs.
 - (c) An increase in qualified auditor’s reports on group financial statements as a result of scope limitations, for example in the case of material associated companies and material joint ventures where the group auditor’s access may be restricted.
4. Initial comments from these groups, and written submissions received from (a) the SMP Permanent Task Force and (b) certain members of the European Group of International Accounting Networks and other non-founder members of the Forum of Firms, included the following:
 - Generally, members were of the view that, if the division of responsibility approach is eliminated, the group auditor should obtain sufficient appropriate audit evidence on which to base the opinion on the group financial statements. A legal advisor confirmed that the proposals mirror the group auditor’s legal liability exposure.
 - Public policy issues were noted, in particular those arising from the split between related auditors and unrelated auditors, and the proposed definition of “related auditor.”¹ It was noted

¹ The following revised definition was presented to the groups identified in paragraph 2: “Related auditor” means an auditor from the group auditor’s firm or from a network firm that operates under common monitoring policies and procedures as contemplated in paragraph 87 of International Standard on Quality Control (ISQC) 1, “Quality Control for

- that only a limited number of networks apply common audit methodologies. Any proposal that would lead to enforcing the market power of a limited number of networks that have the resources to develop a single audit methodology could be detrimental to the public interest and potentially unlawful.
- Practical implementation problems were noted, for example those arising as a result of competition and privacy and data protection laws, joint audits, audits requiring specialized knowledge, special public sector considerations, issues of timing, language, etc.
 - Concern was raised about the proposal to include an other significant matter paragraph (previously referred to as “an emphasis of matter paragraph”) in the auditor’s report on the group financial statements to refer to the fact that an unrelated auditor has performed the work on the financial information of a component. That is, where it is national practice to make such reference. This does not add to the clarity of the auditor’s report and has no meaning unless the group auditor is seeking to limit his or her responsibility in some way. This matter is further discussed in paragraphs 14-16 below.
 - It was not possible to provide an estimation of the potential percentage increase in audit fees. It is important, however, that the increase in audit fees leads to an equivalent increase in audit quality. This may not be the case in the U.S., where there is no evidence that the application of the division of responsibility approach has a negative effect on audit quality.
 - It was not possible to provide an estimation of the potential increase in qualified auditor’s reports on group financial statements as a result of scope limitations. However, if such qualifications are inevitable, it should be questioned whether the proposals will lead to improved audit quality.
5. Based on these comments, the task force revised the definition of “related auditor” not to require the use of a common audit methodology. The proposed guidance, however, still acknowledges the effect that the use of a common audit methodology may have on the procedures the group auditor performs in relation to a related auditor’s work. The task force’s revised proposals are set out in the appendix.
6. The task force will present the new matters for consideration set out below at the November 2004 CAG meeting, and report back to the IAASB in this regard.

New Matters for Consideration by the IAASB

JOINT AUDITS

7. ED-ISA 600 excluded joint audits from its scope by mentioning in its first paragraph that “[t]his ISA does not deal with those instances where two or more auditors are appointed as joint auditors ...” Footnote 1 of the revised exposure draft reads: “This ISA does not establish standards or provide guidance on the relationship between joint auditors.”
8. Although the proposed standards and guidance do not deal with the conduct of a joint audit, they apply to the audit of group financial statements conducted by joint auditors. One respondent felt

Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements” and applies the same audit methodology as the group auditor.

particularly strong that this fact should be clarified. This respondent suggested two alternative solutions: (a) The definition of “group auditor,” could be amended as follows: “Group auditor means the independent auditor(s) who sign(s) the auditor’s report on the group financial statements;” or (b) A footnote could be added to the definition of “group auditor,” stating that “where the audit of group financial statements is conducted by joint auditors, whether their joint appointment is voluntary or imposed by law or regulation, the joint auditors collectively constitute the group auditors.”

9. The task force is of the view that it will not be correct to insert guidance that implies that the joint auditors collectively constitute the group auditors. The proposed standards and guidance provide for the group auditor to be involved in the work that other auditors perform on certain components or to perform specified procedures in relation to the other auditors work. Consequently, it will not be correct to require lesser involvement in relation to the work performed by joint auditors.
10. The task force proposes not to deal with joint auditors and joint audits as suggested by the respondent; however, the task force proposes that the IAASB includes a project to develop an ISA on joint audits on its work plan.

IAASB Action: Does the IAASB agree with the task force’s proposal?

ACCESS TO INFORMATION

11. Respondents to the exposure draft and members of the groups consulted commented that legal or professional impediments may prevent the group auditor from having the access to component management, component information or the other auditors, including their audit documentation, contemplated by the proposals. For example, it was noted that access to another auditor’s audit documentation is essentially a legal issue that depends on the laws of the jurisdiction in which the other auditor operates – such laws cannot be overridden by the provisions of an ISA.
12. The task force’s proposals (a) to eliminate division of responsibility, (b) for the group auditor, or related auditor on behalf of the group auditor, to be involved in the work that other auditors perform on certain components, and (c) regarding the nature and extent of the procedures that the group auditor performs in relation to the work of another auditor, will further complicate this matter.
13. The task force, however, is of the view that a restriction on the group auditor’s access is a scope limitation and that the group auditor should consider the effect that this may have on the auditor’s report on the group financial statements and his or her appointment. Consequently, the task force is proposing the following standards:
 - (a) When the group auditor does not have a right of access to component information, component management or other auditors, including their audit documentation, to the extent considered necessary to perform the audit of the group financial statements, the group auditor should request group management to arrange with component management for the group auditor to have such access.

- (b) The group auditor should not accept an engagement to audit group financial statements if:
 - (i) The group auditor is aware of restrictions on the group auditor’s access to component information, component management or other auditors, including their audit documentation;
 - (ii) The restrictions cannot be overcome by group management or by other means; and
 - (iii) The restrictions are likely to result in a disclaimer of opinion on the group financial statements.
- (c) If, after accepting an engagement to audit group financial statements, the group auditor’s access to component information, component management or other auditors, including their audit documentation, is restricted and the restrictions cannot be overcome by group management or by other means, the group auditor should consider the effect of the scope limitation on the auditor’s report on the group financial statements. If such scope limitation is likely to result in a disclaimer of opinion on the group financial statements, the group auditor considers resigning from the engagement.

IAASB Action: Does the IAASB agree with the task force’s proposal?

OTHER SIGNIFICANT MATTER PARAGRAPH – WORK PERFORMED BY AN UNRELATED AUDITOR

- 14. Based on the comments received on the exposure draft, the task force proposed that the revised exposure draft should not distinguish between sole and divided responsibility (see the appendix). The reporting section in the revised exposure draft acknowledges that in some jurisdictions it is practice for the group auditor to refer to the fact that an unrelated auditor was involved in the audit of the group financial statements in the auditor’s report on the group financial statements. This reference is made in an other significant matter paragraph.
- 15. The other significant matter paragraph was developed in response to comments from some CAG members who were of the view that it is important to inform readers of the group auditor’s report of the involvement of unrelated auditors in the audit of the group financial statements. (See Appendix 6 to the revised exposure draft for an example of an other significant matter paragraph.)
- 16. Both the submissions referred to in paragraph 4 noted that the other significant matter paragraph does not add to the clarity of the auditor’s report and that the related proposed standard and guidance should be deleted. The task force supports this suggestion.

IAASB Action: Does the IAASB agree with the deletion of the proposed standard and guidance for an other significant matter paragraph where it is national practice for the group auditor to refer to an unrelated auditor in his or her report on the group financial statements?

STANDARDS AND GUIDANCE IN ONE ISA

17. Based on the comments received on the exposure draft, and as explained in the summary of significant comments, guidance was moved from the IAPS to the ISA, and changed to standards or retained as guidance.
18. Considering the revised ED-ISA and revised ED-IAPS, the task force is of the view that users of the ISAs may find it difficult to understand the interrelationship between the ISA and the IAPS, and that the standards and guidance would be better presented in a single document. Furthermore, a single document eliminates the need for repetition, leads to a shorter document and provides a clearer picture of the application of the audit risk model to the audit of group financial statements. Consequently, the task force (except for one task force member who strongly disagrees) proposes that the standards and guidance be combined in a new ISA with the title “The Audit of Group Financial Statements” and that extant ISA 600 is withdrawn.

IAASB Action: Does the IAASB’s agree to combine the standards and guidance in a single ISA with the title “The Audit of Group Financial Statements?”

INTERNATIONAL CONVERGENCE

19. The application of the proposed standards and guidance in all jurisdictions was discussed at the last task force meeting. The task force agreed that the proposed standards and guidance on access to information may be problematic for certain jurisdictions; however, regulatory developments, such as the European Commission’s proposed 8th Directive, in future may resolve this matter.
20. The proposed elimination of the division of responsibility approach may not make it possible for the auditing standards boards in those jurisdictions that permit divided responsibility to converge with the proposed standards and guidance. Although not objecting to the approach taken in the revised exposure draft, the Chairman of the US Auditing Standards Board (ASB), who is a task force member, noted that the U.S. ASB likely would retain its standards and guidance on divided responsibility. The proposed standards and guidance on the work of related auditors and unrelated auditors with whom the group auditor does not divide responsibility, however, is helpful and likely would be adopted. The task force does not know the PCAOB’s views in this regard.

Re-exposure

21. As noted at the June 2004 IAASB meeting, the task force is of the view that, based on the nature and extent of its proposals, it will be necessary to re-expose the revised proposed standards and guidance.

Project Timetable

22. The project timetable is as follows:

- December 2004
 - Full review of comments and related proposals
 - Review of a first draft of the revised exposure draft
- March 2005
 - Approval of the revised exposure draft
- September 2005
 - Review of summary of significant comments and related proposals
- December 2005
 - Full review of comments and related proposals
 - Review of a first draft of the revised ISA (and IAPS)
- March 2006
 - Approval of the ISA (and IAPS) – Effective date January 1, 2007

Appendix

Significant Comments and Proposed Dispositions

Overall Support

1. Respondents were very supportive of the project to develop standards and guidance for the audit of group financial statements and acknowledged that they fill an important gap in the existing ISAs. Although some respondents were of the view that the standards and guidance in the exposure draft will assist auditors in performing quality audits of group financial statements (while others indicated that it confirmed current best practice), many respondents asked that the group auditor's responsibilities are further clarified and strengthened. The calls for more rigor were based on recent corporate scandals.

Sole v. Divided Responsibility

2. The exposure draft permitted the group auditor to apply the divided responsibility approach if national standards enable and national law or regulation permits him or her to divide responsibility for the audit opinion on the group financial statements with other auditor(s).
3. The table below provides an overview of the comments received on the approach followed in the ISA with regard to sole responsibility and divided responsibility.

Retain provisions for sole responsibility and divided responsibility, i.e. "as is"	3
Countries that do not permit divided responsibility should be able to make the necessary adjustment to the ISA to eliminate it in their national standard	2
Retain provisions for sole responsibility and divided responsibility, but strengthen requirements for / provide more guidance on sole responsibility / divided responsibility	2
Provide for sole responsibility as preferred method and divided responsibility as allowed alternative	1
Provide for sole responsibility as preferred method and divided responsibility as allowed alternative, but work towards elimination of allowed alternatives	2
Provide for sole responsibility as preferred method and divided responsibility as allowed alternative in ISA, and provide additional guidance on divided responsibility in a separate IAPS	1
Permit divided responsibility only when <i>required</i> by national law	2
Permit divided responsibility only when sole responsibility is not permitted	1
Permit divided responsibility only in very limited circumstances	3
Retain provisions for sole responsibility and divided responsibility, but the performance requirements for the group auditor should be same under both approaches	3
Provide for sole responsibility only	16
No specific mention of matter	4
TOTAL	40

4. Based on the comments received, the task force proposes the following:
 - (a) The revised exposure draft should not distinguish between sole and divided responsibility. The group auditor is responsible for expressing an audit opinion on whether the group financial statements give a true and fair view (or are presented fairly, in all material

respects) in accordance with the applicable financial reporting framework. In order to obtain sufficient appropriate audit evidence on which to base the audit opinion, the group auditor should determine the audit procedures to be performed on the consolidation and the scope of work to be performed by the group auditor or other auditors on the financial information of the component. Consequently:

- The revised exposure draft will not contain the terms “sole responsibility” and “divided responsibility.”
- The group auditor’s procedures will be the same whether he or she accepts sole or divided responsibility. As a result, the proposed standards and guidance will apply to all audits of group financial statements performed in accordance with ISAs.
- Should the group auditor be unable to obtain sufficient appropriate audit evidence in relation to a component, it will constitute a scope limitation and he or she will have to consider the effect of such scope limitation on the auditor’s report on the group financial statements and his or her appointment. The group auditor will not be able to refer to the other auditor instead of qualifying the auditor’s report based on the scope limitation.
- The reporting section in the revised exposure draft will acknowledge that in some jurisdictions it is practice for the group auditor to refer to the fact that an unrelated auditor was involved in the audit of the group financial statements in the auditor’s report on the group financial statements. Such reference, however, will be in a separate other significant matter paragraph, and will not exempt the group auditor from following the requirements in the ISA.

Related Auditor v. Other Auditor

5. The exposure draft distinguished other auditors that are “related” to the group auditor (referred to as “related auditors”² in the exposure draft) from other auditors that are not “related” to the group auditor (referred to as “other auditors”³ in the exposure draft). This distinction affected the nature, timing, and extent of the procedures that the group auditor performs in relation to a related or other auditor’s work. For example, in the case of a related auditor, the group auditor may perform fewer procedures.
6. Respondents to the exposure draft recommended a “narrower” definition for “related auditor.” They also commented on the distinction between a related and other auditor, and the effect the distinction has on the group auditor’s procedures performed in relation to their work.
7. Based on the comments received (including the comments from the groups identified in paragraph 2), the task force proposes the following:

² “Related auditor” was defined as follows in the exposure draft: “Related auditor” means an independent auditor from the group auditor’s office, other office of the group auditor’s firm, a network firm or another firm operating under common quality control policies and procedures as described in International Standard on Quality Control (ISQC) 1, “Quality Control for Audit, Assurance and Related Services Practices.”

³ “Other auditor” was defined as follows in the exposure draft: “Other auditor” means an independent auditor other than the group auditor or a related auditor.

- (a) The revised exposure draft should use the terms “related auditor,” “unrelated auditor,” and “other auditor.” These terms will be defined as follows:
- “Related auditor” means an auditor from the group auditor’s firm or from a network firm that operates under common monitoring policies and procedures as contemplated in paragraph 87 of International Standard on Quality Control (ISQC) 1, “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.”⁴
- “Unrelated auditor” means an auditor other than the group auditor or a related auditor.
- “Other auditor” or “another auditor” means a related auditor or an unrelated auditor.
- (b) Another auditor from a network firm, which does not operate under common monitoring policies and procedures as contemplated in paragraph 87 of ISQC 1 should be considered an “unrelated auditor.”
- (c) The group auditor should be required to determine, in the first instance, whether another auditor is in fact a related auditor.
- (d) The standards and guidance should continue to distinguish between related and unrelated auditors. However, as discussed later in this appendix, the group auditor’s procedures in relation to the work performed by both related and unrelated auditors should be strengthened.

Acceptance and Continuance as Group Auditor

8. To assist the group auditor in deciding whether to accept or continue an engagement to audit group financial statements, the exposure draft contained standards on acceptance and continuance in the ISA and practical implementation guidance in the IAPS. The ISA and IAPS provided for the group auditor to obtain a preliminary understanding of the group at the acceptance and continuance stage, and to consider the group auditor’s ability to participate appropriately in the work of other auditors. The IAPS suggested that it will be unusual for a group auditor to accept an engagement to audit group financial statements where the group auditor and related auditors directly perform work on less than approximately 50% of the group assets, liabilities, cash flows, profit, or turnover, unless the group auditor will be able to resolve this insufficiency by participating appropriately in the work to be performed by the other auditors on the financial information of the components.

⁴ ISQC 1, paragraph 87 reads as follows:

“Some firms operate as part of a network and, for consistency, may implement some or all of their monitoring procedures on a network basis. Where firms within a network operate under common monitoring policies and procedures designed to comply with this ISQC, and these firms place reliance on such a monitoring system:

- (a) At least annually, the network communicates the overall scope, extent and results of the monitoring process to appropriate individuals within the network firms;
- (b) The network communicates promptly any identified deficiencies in the quality control system to appropriate individuals within the relevant network firm or firms so that the necessary action can be taken; and
- (c) Engagement partners in the network firms are entitled to rely on the results of the monitoring process implemented within the network, unless the firms or the network advises otherwise.”

9. Respondents to the exposure draft were of the view that the standards on acceptance and continuance in the ISA should be strengthened by revising the related guidance in the IAPS and moving it to the ISA. They also opposed the “50% acceptance/ retention proposal”.

10. Based on the comments received, the task force proposes the following:

- (a) The group auditor should obtain a preliminary understanding of the group, its components, and their environment. Based on the group auditor’s preliminary understanding, the group auditor: (i) identifies significant components,⁵ and (ii) identifies components where the work on the financial information will be performed by other auditors, and (iii) determines whether those auditors are related auditors.
- (b) The group auditor should consider whether the work that the group auditor and related auditors will perform on the financial information of the components, and the involvement of the group auditor and related auditors in the work that unrelated auditors will perform on the financial information of the component, is likely to enable the group auditor to obtain sufficient appropriate audit evidence on which to base the audit opinion on the group financial statements.
- (c) In order to accept or continue an engagement, the group auditor or related auditors should perform the work on the financial information of significant components, or be involved in the unrelated auditors’ work on significant components to the extent considered necessary by the group auditor. Involvement in the work performed by another auditor ordinarily will involve the group auditor, or a related auditor working on behalf of the group auditor, undertaking some or all of the following actions:
 - Meeting with component management to obtain an understanding of the component and its environment.
 - Performing risk assessment procedures and participating in the assessment of risks of material misstatement. These may be performed together with the unrelated auditor, or by the group auditor or a related auditor.
 - Performing further audit procedures. These may be performed together with the unrelated auditor, or by the group auditor or a related auditor.
 - Participating in the closing and other key meetings between the unrelated auditor and component management.
 - Reviewing the unrelated auditors’ audit documentation.
- (d) The group auditor should communicate the following to those charged with governance of the group:
 - The portion of the group financial statements on which the group auditor and related auditors will perform the work and the portion of the group financial statements on which unrelated auditors will perform the work.
 - The components that have been identified as significant.

⁵ “Significant component” means a component that is of individual financial significance to the group or a component that has been identified at group level as likely to include significant risks of material misstatement of the group financial statements.

- The results of the group auditor's evaluation of the professional qualifications, independence, and professional competence of the unrelated auditors and the affect thereof on the scope of work to be performed on the financial information of the components and on the group auditor's and unrelated auditor's involvement in the work to be performed by the unrelated auditors.
- The planned scope of work to be performed on the financial information of the components and on the consolidation.
- The group auditor's and related auditors' planned involvement in the work to be performed by unrelated auditors on the financial information of significant components.
- Any limitations on the audit of the group financial statements. For example, restrictions on the group auditor's access to component information, component management or other auditors, including their audit documentation.

ISA vs. IAPS – Strengthening the Group Auditor's Procedures

11. The ED-IAPS applied when the group auditor takes sole responsibility for the auditor's report on the group financial statements. It provided practical assistance on the application of the ED-ISA 600 and other ISAs to the audit of group financial statements. The guidance followed the new audit risk model reflected in the recently issued Audit Risk Standards of the IAASB.
12. Respondents to the exposure draft were of the view that the ISA, and in particular the group auditor's procedures, should be strengthened by moving guidance from the IAPS to the ISA.
13. Based on the comments received, the task force proposes the following:
 - (a) The group auditor should determine the audit procedures to be performed on the consolidation and the scope of work to be performed by the group auditor or by other auditors on the financial information of the components to obtain sufficient appropriate audit evidence on which to base the audit opinion on the group financial statements.
 - For a component that is of individual financial significance to the group, the group auditor ordinarily performs or requests other auditors to perform an audit in accordance with ISAs using either a materiality level determined by the group auditor, or on a lower materiality level determined by the other auditor.
 - For a component that has been identified at group level as likely to include significant risks of material misstatement of the group financial statements, the group auditor ordinarily performs or requests other auditors to perform:
 - An audit in accordance with ISAs using either a materiality level determined by the group auditor, or on a lower materiality level determined by the other auditor;
 - An audit of specified account balances relating to the identified significant risks; or
 - Specified audit procedures relating to the identified significant risks.
 - Work performed on the financial information of components that are not significant but that may, together with other such components, be significant in the aggregate, could include one of the following:

- An audit performed in accordance with ISAs using either a materiality level determined by the group auditor, or a lower materiality level determined by the other auditor.
 - An audit of specified account balances.
 - Specified audit procedures.
 - A review of the financial information of the component.
 - For components that are insignificant, even when aggregated with other such insignificant components, the group auditor ordinarily performs analytical procedures.
- (b) The group auditor communicates the materiality level for the component to the other auditor. The materiality level for a component is lower than the group materiality level. The group auditor also communicates a threshold above which misstatements need to be communicated to the group auditor.
- (c) When another auditor is requested to perform an audit of the financial information of a significant component, the group auditor should be involved in the work of the other auditor in order to identify significant risks of material misstatement of the group financial statements.
- When a related auditor performs an audit of the financial information of a significant component, the group auditor reviews the related auditor's audit documentation of the identified and assessed risks of material misstatement at the financial statement level and at the assertion level in order to identify significant risks of material misstatement of the group financial statements.
 - When an unrelated auditor performs an audit of the financial information a significant component, the group auditor, or a related auditor on behalf of the group auditor, is involved in the unrelated auditor's risk assessment procedures in order to identify significant risks of material misstatement of the group financial statements. As part of this involvement, the group auditor or the related auditor:
 - Discusses the risk assessment with component management;
 - Discusses with the unrelated auditor the susceptibility of the component to material misstatement of the financial information due to fraud or error; and
 - Reviews the unrelated auditor's audit documentation of the identified and assessed risks of material misstatement at the financial statement level and at the assertion level.
 - When a related auditor performed the review of the unrelated auditor's audit documentation, the group auditor reviews the related auditor's documentation of the review in order to identify significant risks of material misstatement of the group financial statements.
- (d) When significant risks of material misstatement of the group financial statements have been identified in a component on which another auditor performs the work, the group auditor should determine together with the other auditor the further audit procedures to be performed as a response to the identified significant risks.

- (e) When a related auditor has been involved in the further audit procedures of an unrelated auditor on behalf of the group auditor, the group auditor should consider the related auditor's documentation of the review of the unrelated auditor's documentation prepared in accordance with ISA 330, paragraph 73.⁶
- (f) The group auditor should obtain sufficient appropriate audit evidence that the work of the other auditor is adequate for the group auditor's purposes.
- When another auditor performed the work on the financial information of a significant component or a component that is not significant but that may, together with other such components, be significant in the aggregate, the group auditor reads the other auditor's report or memorandum, including the other auditor's list of uncorrected misstatements.
 - When an unrelated auditor performed the work on the financial information of a significant component, the group auditor, or a related auditor on behalf of the group auditor, should review the unrelated auditor's audit documentation.
 - When a related auditor performed the work on the financial information of a significant component, the group auditor considers whether to review the related auditor's audit documentation.
 - When a related auditor on behalf of the group auditor reviewed an unrelated auditor's audit documentation, the group auditor should review the related auditor's documentation of the review of the unrelated auditor's audit documentation, and the conclusions reached by the related auditor as to whether the work of the unrelated auditor is adequate for the group auditor's purposes.

⁶ ISA 330, paragraph 73, reads as follows: "The auditor should document the overall responses to address the assessed risks of material misstatement at the financial statement level and the nature, timing, and extent of the further audit procedures, the linkage of those procedures with the assessed risks at the assertion level, and the results of the audit procedures. In addition, if the auditor plans to use audit evidence about the operating effectiveness of controls obtained in prior audits, the auditor should document the conclusions reached with regard to relying on such controls that were tested in a prior audit."

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