

## Comments Received and Proposed Disposition on Exposure Draft: ISA 600, “The Work of Related Auditors and Other Auditors in the Audit of Group Financial Statements” and IAPS, “The Audit of Group Financial Statements”

### *Comments on Proposed ISA 600, “The Work of Related and Other Auditors in the Audit of Group Financial Statements”*

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
<b>Introduction</b>				
		<p>Paragraph 1</p> <p>The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance when an auditor, acting as a group auditor, decides to use the work of a related auditor or other auditor in the audit of group financial statements (see definitions in paragraph 7 below). The group auditor also applies the standards and considers the guidance in the other ISAs. This ISA does not deal with those instances where two or more auditors are appointed as joint auditors nor does it deal with the auditor’s relationship with a predecessor auditor.</p>		ISA XXX.1
1.1	ICAI ASC	The revised ISA deals solely with the work of related auditors and other auditors in the audit of group financial statements. It has been noted in the introduction that the ISA does not deal with instances where two or more auditors act as joint auditors, or indeed to the consideration of the work of other auditors and access to auditor’s working papers in other instances. Standards need to be established for the profession and guidance given in relation to matters including terms of engagement, hold harmless letters etc.	Part	Agenda Item 7-A, paragraphs 7-10 and 11-13  ISA XXX.19-22 and 23  “Hold harmless letters” are not common practice and are driven by national legal frameworks
1.2	DNR	The revised ISA 600 applies when an auditor, acting as auditor of consolidated financial statements, decides to use the work of a related auditor or other auditor in the audit of consolidated financial statements. Hence, it does not apply when an auditor decides to use the work of a related auditor or other auditor in the audit of a single entity. This may be	No	“Component” is defined as a head office, parent, division, branch, subsidiary,

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		<p>the case where the audit clients accounts are prepared by a shared service centre located for instance in a different country. It is not unusual to use a related or other auditor to perform parts of the audit work in such cases. It is not clear to us whether the auditor responsible for expressing an audit opinion on the financial statement on the single entity should use ISA 600 or when the auditor relies on the work of a related or other auditor in such cases. <i>A possible solution is to specifically state that the standard applies to audits of single entities, when applicable.</i></p> <p>Normally the group auditor in such cases instructs the related or other auditor in much the same way as described in the proposed ISA 600. The related or other auditor will perform the work he is instructed to do, and the group auditor will regard this in the same way as work performed by his own staff. In our opinion the introductory paragraph 1 of the proposed ISA 600 could clearly state whether it applies to such cases or not.</p>		<p>joint venture, associated company or other entity whose financial information is or should be included in the group financial statements</p> <p>“Group financial statements” is defined as financial statements that include or should include the financial information of more than one component. It also refers to combined financial information aggregating the financial information of components in circumstances where there is no parent</p> <p>Standards and guidance on audit considerations relating to entities using service organization are provided in ISA 402</p>
1.3	MS	<p>It is our view that this revised International Standard on Auditing (“ISA”) should address joint audit appointments, if only to the extent of comparing and contrasting the involvement of more than one firm under such an appointment with the situations where firms other than group auditors have a substantial involvement in the audit of components of</p>	No	<p>Agenda Item 7-A, paragraphs 7-10</p>

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		the group overall but are not signatories of the audit opinion on the group financial statements.		
1.4	IDW	<p>The scope of the Standard described in paragraph 1 covers situations in which the group auditor decides to use the work of another auditor in the audit of group financial statements. Furthermore, the definitions section in paragraph 7 defines group financial statements as financial statements that include or should include financial information of more than one component by means of consolidation procedures or equity accounting methods (and includes combinations of components' financial information). Components, in turn, are defined as a head office, parent, division, branch, subsidiary, joint venture, associated company or other entity whose financial information is or should be included in the group financial statements by means of consolidation procedures or equity accounting methods.</p> <p>On this basis, only the use of another auditor's work on a component whose financial information is or should be included in the group financial statements by means of consolidation procedures or equity accounting methods would be covered by this Standard. This is confirmed by the first sentence of paragraph 4. However, auditors may use the work of another auditor in situations where financial information is included in the financial statements by means other than consolidation procedures or equity accounting methods. <i>For example, an auditor may use the work of another auditor who observed the inventory count or inspected physical fixed assets at a remote location in situations where that inventory or those fixed assets are already included in the ledgers of the entity whose financial statements are being audited by the first auditor.</i> In this situation, no consolidation procedures are performed or equity accounting methods applied in relation to the inclusion of that inventory or those fixed assets in the entity's financial statements.</p> <p><i>Another example not covered under the Standard would be the situation in which the work and reports of another auditor may constitute a major element with respect to investments accounted for under methods other than by consolidation procedures or equity accounting methods (e.g., cost, or fair market value although no liquid market exists for that investment).</i></p> <p>Given the focus in the Standard on audits of group financial statements and the special considerations involved in these audits, we do not believe that the problem can be solved by adding a statement, in the introductory section of the Standard, that the standards and guidance can also be applied analogously to situations not involving consolidation procedures or the application of the equity method. In our view, changing the definition of group financial statements</p>	No	Responding to the requests of various stakeholders (see explanatory memorandum that accompanied the exposure draft), ISA XXX has been drafted to focus on the audit of group financial statements

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		<p>will not solve this problem either, because the requirements and guidance in the Standard are directed towards issues arising from group financial statements as defined.</p> <p>We suggest that the scope (and hence the title) of the Standard be changed to cover all circumstances in which an auditor uses the work of another auditor. This can be handled in the same manner as division of responsibility: by adding a separate section dealing with using the work of another auditor when a group audit as defined is not involved. To reduce the length of that section, specific reference could be made to the contents of those paragraphs in the rest of the Standard that would also be relevant, or be adapted as described, to using the work of another auditor in these situations.</p> <p>In line with these comments, the title of the proposed Standard should be changed to “Using the Work of Another Auditor” (see our general comments on nomenclature with respect to “other auditor” and “related auditor”) and the separate section could be entitled “Using the Work of Another Auditor In Situations Not Involving Components or Audits of Group Financial Statements”. <i>We also recognize that the term “group auditor” may not be appropriate in these circumstances, and therefore suggest that the term “principal auditor” be reintroduced for the purposes of this section. A principal auditor would then be defined as an auditor using the work of another auditor where that work is not in relation to the financial information of a component that is, or should be, included in the group financial statements by means of consolidation or through application of equity accounting methods.</i></p> <p>Paragraph 2</p> <p>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. The group auditor is responsible for determining the work to be performed on the components’ financial information and on the consolidation in order to obtain sufficient appropriate audit evidence to be able to express an opinion on the group financial statements. The group auditor may consider it appropriate to request a related auditor or other auditor to perform the work on a component’s financial information. In this case, the group auditor determines the scope of work to be performed on the component’s financial information and communicates it to the related auditor or other auditor.</p>		

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2.1	FSR ASC	Paragraph 1 and 2 is implicitly build on the assumption that the decision on whether a related auditor or an other auditor is involved rests with the group auditor (“... decides to use the work of... (par. 1) “... consider it appropriate to request ...). This is not necessarily always the case – sometimes he has at least to try to build on the work of some other auditor. This necessity may have a practical or a regulatory reason.	No	Not aware of any regulatory requirement for the group auditor to use the work of another auditor  It may be practical to use the work of another auditor; however, the decision as to whether to use the work of another auditor rests with the group auditor, who takes responsibility for the report on the group financial statements
2.2	CICPA	Based on the Explanatory Memorandum, "the proposed revised ISA 600 reflects the IAASB's belief that the decision as to whether to request a related auditor or other auditor to perform work on a component's financial information is made later in the audit process, i.e. after the group auditor has conducted the group risk assessment, categorized the components based on the results of the group risk assessment and determined the scope of work to be performed on the components' financial information."  The point we would make is, in many cases, the group management's appointment of group auditor and other auditors are independent because of various reasons, and other auditors may conduct the audit prior to or at the same time as the group auditor conducts the audit, so <u>how can the group auditor's decision</u> as to whether to request a related auditor or other auditor to perform work <u>be made later</u> in the audit process, <u>especially after the group auditor has conducted the group risk assessment?</u> This may be a significant practical issue when considered at least in Chinese environment.	No	See response to 2.1  ISA XXX.67-68
2.3	ACCA	The proposed revised ISA 600 reflects the IAASB’s belief that the decision as to whether to request a related auditor or other auditor to perform work on a component’s financial information is made: ‘... after the group auditor has	No	See response to 2.1

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		conducted the group risk assessment, categorized the components based on the results of the group risk assessment and determined the scope of work to be performed on the components' financial information.'		ISA XXX.67-68
		We do not believe that this is the most practical way of approaching the matter given that, in many jurisdictions, subsidiary companies will be subject to separate statutory audit. Moreover, the group auditor will often make use of information from related and other auditors in order to be able to assess risk and plan the work.		
2.4	PWC	The penultimate sentence of Paragraph 2 suggests that the group auditor may request a related auditor or other auditor to perform work on a component's financial information. With respect to other auditors, the more common situation is that the entity or component itself, rather than the group auditor, appoints the other auditors. This sentence should be amended to add at the end:  <i>"...or the entity or component thereof may appoint another auditor or auditors to perform the audit of the financial statements of one or more components."</i>	Yes	ISA XXX.3
2.5	RREGAL	Paragraph 2 states that the group auditor is responsible for expressing an opinion on the group financial statements and for determining the work to be performed on the component financial information. However, this is not true in the case of a divided responsibility audit. In such an audit the group auditor's report states that the group auditor has not audited all of the financial statements and that a portion of the financial statements have been audited by someone else.	NA <sup>1</sup>	Comment not applicable – references to division of responsibility have been eliminated
2.6	IDW	We would like to point out that the contents of this paragraph are entirely inconsistent with the retention of divided responsibility. Consequently, if divided responsibility is retained, this paragraph ought to be relocated between paragraphs 7 and 8 (but prior to paragraph 8's heading, which may mean it requires its own heading). Based on our comment letter on ISA 700, we suggest changing the wording of the first sentence as follows: <i>"The group auditor is responsible for expressing an audit opinion on whether the group financial statements are in accordance with the applicable financial reporting framework."</i> To be consistent with the definition of group financial statements, we suggest inserting the words "or application of the equity method" between the words "consolidation" and "in order" in the second sentence.	NA	Comment not applicable – references to division of responsibility have been eliminated

<sup>1</sup> NA = Not Applicable

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2.7	NIVRA	<p>The penultimate sentence of Paragraph 2 suggests that the group auditor may request a related auditor or other auditor to perform work on a component's financial information. With respect to other auditors, the more common situation is that the entity or component itself, rather than the group auditor, appoints the other auditors. This sentence should be amended to add at the end:</p> <p>“...or the entity or component thereof may appoint another auditor or auditors to perform the audit of the financial statements of one or more components.”</p>	Yes	ISA XXX.3
2.8	IOSCO	<p>Paragraph 2 - Add a last sentence “Such scope of work may range from limited audit or review procedures to a full audit of a component and accompanying audit opinion.</p> <p>Paragraph 3</p> <p><b>When the group auditor decides to use the work of a related or other auditor in the audit of group financial statements, the group auditor should determine how the work of the related auditor or other auditor will affect the audit of the group financial statements and the auditor's report on the group financial statements.</b></p>	No	Additional sentence was not considered necessary
3.1	AGV	<p>Proposal supported. We recommend that the standard specify that where the auditor requests a related auditor to perform work on a component's financial statements that this is done after the group auditor has obtained an in-depth knowledge of the business of the components.</p>	Yes	ISA XXX.5-10 and 40-52
3.2	PWC	<p>The overriding principle expressed in Paragraph 3 suggests that the work performed by the 'other' or 'related' auditor will impact the level or work performed on the audit of the group financial statements. While this is true, we do not believe this conveys the philosophy that underlies the proposed revised ISA 600. The important overriding principle is that the group auditor is responsible for obtaining sufficient appropriate audit evidence regarding each component's financial information and the consolidation in order to be able to express an opinion on the group financial statements. In that context, the group auditor has to determine whether the work of related or other auditors on components' financial information meets the needs of the group auditor in the context of the audit of the group financial statements. Thus, the starting point isn't how the work of related and other auditors affects the audit of the group, as suggested in</p>	Yes	Paragraph deleted – see new paragraph ISA XXX.3

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		Paragraph 3, but rather whether the work of related or other auditors meets the group auditor's needs. We therefore suggest that this bold lettered sentence be rewritten to reflect this overriding principle.		
3.3	CICA	Use of the words "when the auditor decides" in this paragraph seems to indicate that the decision to use the work of one or more other auditors has already been made without assessing whether this is, in fact, appropriate. We suggest that you consider changing this wording to "In deciding whether to use the work of a related or other auditor etc."	NA	Paragraph deleted – see new paragraph ISA XXX.3
3.4	ICANZ	<p>The current ISA 600 states that "When the principal auditor uses the work of another auditor, the principal auditor should determine how the work of the other auditor will affect the audit." In contrast the proposed ISA 600, paragraph 3, states that the standard applies in the context of the audit of group financial statements. The scope of the proposed ISA 600 is therefore narrower than the extant ISA.</p> <p>Paragraph 4 of the proposed ISA notes that the standards and guidance apply in other situations where for example a parent does not exist. However, there is, in our view, no clear rationale for narrowing the scope of the proposed ISA as set out in paragraph 3.</p> <p>We recommend that scope of the proposed standard be amended to apply to all situations when an auditor uses the work of a related auditor or another auditor. For example paragraph 3 could be amended as follows:</p> <p>When the group auditor decides to use the work of a related or other auditor in the audit of group financial statements, the group auditor should determine how the work of the related auditor or other auditor will affect the audit of the group financial statements and the auditor's report on the group financial statements.</p>	NA	<p>See response to 1.4</p> <p>Paragraph deleted – see new paragraph ISA XXX.3</p>
3.5	NIVRA	The overriding principle expressed in Paragraph 3 suggests that the work performed by the 'other' or 'related' auditor will impact the level or work performed on the audit of the group financial statements. While this is true, we do not believe this conveys the philosophy that underlies the proposed revised ISA 600. The important overriding principle is that the group auditor is responsible for obtaining sufficient appropriate audit evidence regarding each component's financial information and the consolidation in order to be able to express an opinion on the group financial statements. In that context, the group auditor has to determine whether the work of related or other auditors on components' financial information meets the needs of the group auditor in the context of the audit of the group financial statements. Thus, the starting point isn't how the work of related and other auditors affects the audit of the group, as suggested in	Yes	Paragraph deleted – see new paragraph ISA XXX.3

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		<p>Paragraph 3, but rather whether the work of related or other auditors meets the group auditor’s needs. We therefore suggest that this bold lettered sentence be rewritten to reflect this overriding principle.</p>		
		<p>Paragraph 4</p> <p>The standards and guidance in this ISA are applicable whether components are accounted for by the consolidation or equity methods of accounting. Although written in the context of an audit of group financial statements, for example where a parent and subsidiaries exist, the standards and guidance in this ISA also apply 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, i.e. 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 group management is read as reference to those responsible for, among other matters, the preparation and presentation of the combined financial information.</p>		<p>Paragraph deleted, but see definition of “group financial statements” (ISA XXX.4(f))</p>
4.1	FSR ASC	<p>Paragraph 4 and 7 prescribe that the standards and guidance are applicable in the case of consolidation or equity accounting. The scope thereby is stretched to accounting for an associated component, which in many cases will be impractical if not impossible.</p>	No	<p>ISA XXX has been based on the principle that the group auditor identifies significant components, and plans the audit of the group financial statements accordingly. An associated company may be a significant component</p> <p>Scope limitations due to restricted access are dealt with in ISA XXX.19-23</p>
4.2	AGV	<p>We recommend that paragraph 4 be amended to provide examples of instances of ‘combined financial information’.</p>	No	

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4.3	FEE	<p>Furthermore, paragraph 4 indicates that the standards and guidance in the proposed revised ISA 600 are applicable whether components are accounted for by the consolidation or equity methods of accounting.</p> <p>In certain jurisdictions within the European Union, the equity method of accounting is applied to certain components for preparing consolidated financial statements and precludes the parent company from control of those components and therefore also from access to component information due to confidentiality laws and regulations. Similar concerns are relevant related to the guidance provided in paragraphs 19 and 20 of the proposed revised ISA 600. Such constraints may limit the applicability of the standards and guidance in the proposed revised ISA 600 to components accounted for by the equity method and should be addressed in the final ISA.</p>	No	<p>ISA XXX has been based on the principle that the group auditor identifies significant components, and plans the audit of the group financial statements accordingly. An associated company may be a significant component</p> <p>Scope limitations due to restricted access are dealt with in ISA XXX.19-23</p>
4.4	RREGAL	<p>The penultimate sentence of paragraph 4 implies that the only case of combined financial information that is not group financial information is where a parent does not exist. Is that intended, or should the “i.e.” be an “e.g.” ?</p>	No	ISA XXX.4(f)
4.5	IDW	<p>Since the definition “group financial statements” includes combined financial statements and the definition of “component” includes parents and “group management”, which is defined as those responsible for the preparation and presentation of the group financial statements, there does not appear to be any need for the explanations subsequent to the first sentence at all. A slight improvement to the definition of “group financial statements” (see our comments to paragraph 7) would ensure that there are no misunderstandings. If the sentences subsequent to the first sentence in this paragraph were deleted due to their being redundant, then the first sentence could be relocated to paragraph 1 by inserting it subsequent to the first sentence there (but prior to the sentence to be inserted given our comments to paragraph 1).</p>	Yes	ISA XXX.4(f)
		<p>Paragraph 5</p> <p><b>Unless national standards enable and national law or regulation permits the group auditor to divide</b></p>		Paragraph deleted

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		<p>responsibility for the audit opinion on the group financial statements (referred to as “division of responsibility”) and the group auditor decides to do so, the group auditor should take sole responsibility for the audit opinion on the group financial statements. When the group auditor takes sole responsibility for the audit opinion on the group financial statements, the group auditor should not refer to the other auditor in the auditor’s report on the group financial statements, except as provided for in paragraph 31. The standards and guidance in paragraphs 7 to 34 apply when the group auditor takes sole responsibility for the audit opinion on the group financial statements.</p>		
5.1	AGV	<p>We note an inconsistency between paragraph 5 and paragraph 31. Paragraph 5 includes the following sentence "When the group auditor takes sole responsibility for the audit opinion on the group financial statements, the group auditor should not refer to the OTHER AUDITOR [<i>emphasis added</i>] in the auditor's report on the group financial statements, except as provided for in paragraph 31." Paragraph 31 includes the following "When the group auditor concludes that the work of the RELATED AUDITOR OR OTHER AUDITOR [<i>emphasis added</i>] does not provide sufficient appropriate audit evidence and the group auditor has not been able to obtain such audit evidence, the group auditor should consider the impact of this scope limitation on the auditor's report on the group financial statements."</p>	NA	Agenda Item 7-A, Appendix, paragraphs 2-4
5.2	RREGAL	<p>Paragraph 5 is an abdication of the IAASB’s responsibility to set International Standards on Auditing. I can see no justification for allowing a national standard setter to override what is required for compliance with ISAs. For example, paragraph 22 of ISA 570, “Going Concern” does not say, “Unless permitted not to by national standards the auditor should inquire of management as to its knowledge of events or conditions beyond the period of assessment used by management...” but rather, “The auditor should inquire of management as to its knowledge of events or conditions beyond the period of assessment used by management...”. If the IAASB believes that divided responsibility is acceptable then it should allow divided responsibility in all cases and should note that some jurisdictions restrict auditors’ ability to divided responsibility. In other words the bold letter part of the paragraph should be rewritten as follows.</p> <p>The group auditor may take sole responsibility for the audit opinion on the group financial statements or, unless national legal requirements dictate otherwise, may divide responsibility for the audit opinion on the group financial statements (referred to as “division of responsibility”). <b>When the auditor takes sole</b></p>	NA	Agenda Item 7-A, Appendix, paragraphs 2-4

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		<p><b>responsibility for the audit opinion on the group financial statements the group auditor should not refer to the other auditor in the auditor’s report on the group financial statements except as provided for in paragraph 31.</b></p> <p>It would also be helpful if the IAASB gave some guidance as to when it believed divided responsibility was more appropriate than sole responsibility and when it believed sole responsibility was more appropriate than divided responsibility.</p> <p>Although the IAASB clearly believes that divided responsibility is an acceptable approach to audits of group financial statements, I do not. The standards based on the new audit risk model require the group auditor to obtain an understanding of the [group] and its environment sufficient to design and perform further audit procedures. The group auditor is required to make risk assessments at the group financial statement and assertion levels and to design and perform audit procedures in response to those risks. The standards allow the performance of audit procedures to be delegated to others but they in no way allow the responsibility for their performance to be delegated. Whatever arguments there may have been for permitting divided responsibility audits under the previous risk model there does not seem to be any justification for its retention under the new audit risk model. Furthermore, national standards that currently permit divided responsibility reporting were written with the old audit risk model in mind. The IAASB cannot be sure that the national standards in every country that permits divided responsibility reporting impose conditions or requirements that make sense when applied to the new audit risk model.</p> <p>I believe that the time has come when the IAASB has to make a firm decision: it cannot duck the issue much longer. I believe that it should make good on the statement in paragraph 2 and no longer allow the auditor to divide responsibility in audits conducted in accordance with International Standards on Auditing. An auditor who wishes to divide his or her responsibility can do so under national auditing standards, but then the auditor’s report should have to refer to compliance with national auditing standards only and not to compliance with ISAs.</p> <p>However, if the IAASB continues to allow divided responsibility reporting then since paragraph 37 makes paragraphs 8 and 9, and 15 to 17 apply to both sole responsibility audits and joint responsibility audits I believe it would be helpful to move paragraphs 15 to 18 above paragraph 10. This would allow the last sentence of paragraph five to be rewritten to make it clearer which paragraphs apply to which types of audits. The sentence could then be rewritten as follows,</p>		

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5.3	ICANZ	<p>“The standards and guidance in paragraphs 7 to 13 apply to all audits. The standards and guidance in paragraphs 14 to 34 apply when the auditor takes sole responsibility for the audit opinion on the group financial statements and the standards and guidance in paragraphs 35 to 41 apply to audits where there is divided responsibility for the audit opinion on the group financial statements.” This would allow the first sentence of paragraph 6 to be deleted.</p> <p>The existing New Zealand Audit Standard AS-602 Using the Work of An Other Auditor states that the principal auditor must not refer to the work of another auditor in the audit report unless required to do so by legislation or as part of a qualification of the audit report. AS-602 explains that reference to another auditor in an unqualified report might be misunderstood to be a qualification of the auditor’s opinion or a division of responsibility neither of which is intended.</p> <p>We consider that audit quality is improved when an auditor takes sole responsibility for auditing the financial statements of a group. Division of responsibility in our view dilutes accountability and may serve to confuse those relying on the audit report.</p> <p>We recommend that the proposed standard be amended to prohibit division of responsibility.</p> <p>If the IAASB decides to retain division of responsibility we believe that it should be permitted only where it is required by legislation or regulation. We do not believe it is appropriate to refer to national standards in an international standard on auditing as doing so undermines the objective of issuing international standards (see discussion at paragraph 2.12 below).</p> <p>We recommend that paragraph 5 be amended to permit division of responsibility only if it is required by legislation or regulation.</p> <p>“Unless national standards enable and national law or regulation requires the group auditor to divide responsibility for the audit opinion on the group financial statements (referred to as “division of responsibility”) and the group auditor decides to do so, the group auditor should take sole responsibility for the audit opinion on the group financial statements ...”</p>	NA	<p>Agenda Item 7-A, Appendix, paragraphs 2-4</p> <p>IAASB staff is not aware of any national legislative requirements to divide responsibility. The group auditor ordinarily has a choice</p>
5.4	IDW	<p>We refer to our general comments on division of responsibility. In our view, paragraph 7 (the definitions) applies to the entire Standard – not just to sole responsibility. <i>Consequently, we suggest changing the reference in the last sentence to</i></p>	NA	<p>Agenda Item 7-A, Appendix, paragraphs 2-4</p>

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		<i>paragraphs 8 to 34.</i>		
5.5	IOSCO	Paragraph 5 – Delete this paragraph	Yes	
		<p>Paragraph 6</p> <p>Division of responsibility is dealt with in paragraphs 35-41. Division of responsibility does not apply in the case of a related auditor. In the case of related auditors, and other auditors with whom the group auditor does not divide responsibility, the group auditor applies the standards and guidance set out in paragraphs 7-34.</p>		Paragraph deleted
6.1	LSCA	<p>(1) In drafting this response it is our understanding that division of responsibility is not intended to encompass circumstances where there may be joint auditors. We consider that it would be helpful to the user to clarify this. This could be done by expanding paragraph 6 to include the fact that the guidance set out in paragraphs 7-34 should apply to joint audit situations.</p> <p>(2) This paragraph appears to enable principal auditors to accept less responsibility where other auditors are used rather than related auditors. It could be seen as a way of limiting the liability of the principal auditor where division of responsibility is permissible. If there was a subsidiary in an area where business practices are dubious, the principal auditor may find it expedient to suggest that another auditor was used rather than a related auditor, as the principal auditor has to accept responsibility for a related auditor's work, but not that of another auditor. We suggest omitting the second sentence of paragraph 6 in order that this interpretation could be eliminated.</p>	No	<p>(1) Agenda Item 7-A, paragraphs 7-10</p> <p>(2) Agenda Item 7-A, Appendix, paragraphs 2-4</p>
6.2	CICA	The word “to” should be inserted between paragraph numbers in the first and last lines of this paragraph to be consistent with paragraph 5.	No	“number-number” format is used in IAASB pronouncements
6.3	RREGAL	(1) I am not sure what purpose is served by paragraph 6. The first sentence belongs more naturally with the previous paragraph and the third (final) sentence merely repeats what is in paragraph 5. This leaves the second sentence, in which the IAASB seems to restrict the ability of national standards to define when divided responsibility applies. The IAASB cannot have its cake and eat it. Either national standards define whether and when divided responsibility can be	NA	<p>(1) Agenda Item 7-A, Appendix, paragraphs 2-4</p> <p>Paragraph deleted</p>

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		used or the ISAs do. If the IAASB wants place restrictions on the allowability of divided responsibility reporting then it should develop its own guidance on the applicability of divided responsibility. (2) Also, as a matter of style, the IAASB should adopt a consistent way of referring to blocks of paragraphs: either paragraphs 7 to 34 (as in paragraph 5) or 7–34 (as in this paragraph).		(2) “number-number” format is used in IAASB pronouncements
6.4	IOSCO	Paragaraph 6 – should be deleted, as with a revised and unified standard approach such a reference would no longer be needed.	Yes	

**Definitions**

Paragraph 7

In this ISA the following terms have the meaning attributed below:

- (a) “Component” means a head office, parent, division, branch, subsidiary, joint venture, associated company or other entity whose financial information is or should be included in the group financial statements by means of consolidation procedures or equity accounting methods. Components could be in the same or in multiple locations.
- (b) “Component management” means management responsible for the preparation and presentation of a component’s financial information.
- (c) “Group auditor” means the independent auditor who signs the auditor’s report on the group financial statements.
- (d) “Group financial statements” means financial statements that include or should include financial information of more than one component by means of consolidation procedures or equity accounting methods. It may also mean a combination of components’ financial information or an equivalent presentation.
- (e) “Group management” means management responsible for the preparation and presentation of the group financial statements.

ISA XXX.4

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		<p>(f) “Other auditor” means an independent auditor other than the group auditor or a related auditor.</p> <p>(g) “Parent” means the entity in respect of which group financial statements are or should be prepared.</p> <p>(h) “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.”</p>		
7.1	FSR ASC	<p>In many cases, the pronouncements discriminate between whether a related auditor or an other auditor is involved. In this connection it might be asked if such a discrimination always can be made along objective lines. The ISA defines in paragraph 7h a related auditor in a potentially very comprehensive way, which makes it possible in one extreme to consider the members of Forum of Firms as related altogether. This is hardly the intention - or is it?</p>	Yes	Agenda Item 7-A, Appendix, paragraphs 5-7
7.2	ICAEW	<p>The definition of related auditors includes ‘network firms’ operating under ‘common quality control policies and procedures.’ Many firms often described as ‘network’ firms do not in fact operate under common quality control policies and procedures and have very loose connections with each other. The definition of related auditors should therefore make it clear that any firm, office or auditor that does not operate under well-controlled common quality control policies and procedures should be treated as an ‘other’ auditor, rather than as a related auditor. The ISA should also recognize that despite nominal common quality control policies and procedures, there may be cases in which the related auditor is unknown to the group auditor, and cases in which there are significant variations in the central enforcement of common quality control policies and procedures. The ISA should require that in such cases, the group auditor should consider performing procedures appropriate to the work of other auditors. The current paragraph 18 requirement for the group auditor to make ‘enquiries’ about the related auditor is not adequate.</p> <p>This approach is preferable to changing every paragraph dealing with the work of related auditors to include a requirement to consider whether the related auditor is truly ‘related,’ and to perform additional procedures if that is not the case (or worse, introducing a further category of provisions for ‘quasi-related’ auditors). For example, paragraph 27 currently permits the group auditor to limit procedures to a consideration of communications where a related auditor has audited significant components. This would clearly be inadequate if the related auditors were not known to the</p>	Yes	Agenda Item 7-A, Appendix, paragraphs 5-7

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		<p>group auditors or were not subject to robustly enforced common quality control policies and procedures. The requirement, as suggested above, for group auditors to consider performing procedures appropriate to the work of ‘other’ auditors in such cases would deal with this problem.</p>		
7.3	FEE	<p>(1) We would ordinarily expect the definitions in the glossary and in certain ISAs to be consistent and in case certain terms are only defined in one particular ISA, we would expect the glossary to be amended in line with the ISA specific definition. Only in cases where the definition of a term more widely used in other ISAs is redefined for the purposes of a specific ISA, we accept that the glossary should not be adjusted.</p> <ul style="list-style-type: none"> <li data-bbox="401 639 1556 699">• (2) We note that in the proposed revised ISA 600 (paragraph 7) and in the IAPS (paragraph 8 detailed in Appendix I) certain terms have a meaning attributed specifically to this ISA or IAPS.</li> <li data-bbox="401 724 1556 784">• (1) We also noted that certain terms, for instance “component” and “other auditor”, are defined differently in the Glossary of Terms of the ISAs.</li> <li data-bbox="401 808 1556 940">• (3) The definition of “related auditor” as included in paragraph 7 (h) indicates that a related auditor means an independent auditor’s office, other office of the group auditor’s firms, 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.”</li> <li data-bbox="401 964 1556 1024">• (3) Paragraph 87 of ISQC 1 clarifies that firms within a network operate under “common” monitoring policies and procedures designed to comply with ISQC 1.</li> </ul> <p>(3) The definition of a related auditor in the proposed revised ISA requiring common quality control policies and procedures appears to be very restrictive and we propose allowing for some flexibility for situations where the group auditor is satisfied with the quality control policies and procedures. We therefore recommend to replace “common quality control policies and procedures” by “effective and satisfactory quality control policies and procedures” which are not necessarily the same as the quality control policies and procedures of the group auditor. This would also address situations where legal and regulatory requirements prevent common quality control policies and procedures.</p>	Part	<p>(1) The Glossary of Terms is revised on an annual basis to take account of new or revised definitions. Once finalized, the definitions in the ISA will be incorporated in the Glossary</p> <p>(2) ISA XXX.4</p> <p>(3) Agenda Item 7-A, Appendix, paragraphs 5-7</p>

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7.4	CNCC	<p>The revised standard excludes joint-audits from its scope by mentioning in its first paragraph that “this ISA does not deal with those instances where two or more auditors are appointed as joint auditors [...]”. The French Institutes fully recognise that this standard does not deal with joint audits in the sense that it does not give guidance on how to conduct a joint audit. However, the standard can be used in the context of the audit of group financial statements carried out by joint auditors.</p> <p>To clarify the fact that this standard is equally applicable to the audit of group financial statements by joint auditors, the French Institutes consider that the definition of “Group auditor” in paragraph 7(c) should as a minimum be amended as follows: “Group auditor” means the independent auditor(s) who sign(s) the auditor’s report on the group financial statements. A clearer alternative solution could be to add a footnote to the definition of Group auditor in paragraph 7(c) saying that: “where the audit of group financial statements is carried out by joint-auditors, whether it is imposed by law or statute or it is decided on a voluntary basis, the joint-auditors collectively constitute the group auditors”.</p> <p>Clarification of this matter is considered to be critical to the French Institutes.</p>	No	Agenda Item 7-A, paragraphs 7-10
7.5	PWC	<p>The definition of the related auditor includes the instance where a related auditor may be another firm entirely. We understand from the proposed revised ISA 600 that firm can only be defined as “related” provided it operates “under common quality control policies and procedures, as described in ISQC 1”. Whilst pragmatically many network firms would operate this way, there may be discrete groups that do not function under common quality control policies because of legal or regulatory restrictions within the jurisdiction in which the “related firm” operates. We suggest including that further guidance that explains that where a firm is considered “related” to the group auditor but does not operate under common quality control, then the definition of “other auditor” should be applied to that firm. This could be achieved by amending the paragraph as follows:</p> <p>(h) “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.” <u>Where a firm in a network does not operate under common quality control policies and procedures as the</u></p>	No	However, ISA XXX.7(b) requires the group auditor to determine whether another auditor is a related auditor

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		<u>group auditor's firm, then the firm should follow the guidance set out for "other auditor".</u>		
7.6	LSCA	As mentioned above, the definition of a related auditor is unclear, for example, the common quality control procedures referred to could be read simply as complying with ISQC 1, which is the way the definition reads at the moment. A definition of a network firm is also needed here unless it is cross-referenced to a definition contained in other IFAC guidance.	No	Agenda Item 7-A, Appendix, paragraphs 5-7  "Network firm" is defined in the Glossary of Terms
7.7	ACCA	<p>The extant ISA 600 defines the term 'other auditor' as including affiliated firms, whether using the same name or not, and correspondents, as well as unrelated auditors. The proposed revised ISA 600 is more specific. An addition term, 'related auditor' is used to refer to: '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."'</p> <p>(1) The definition of 'network firm' (in ISQC 1) is wide and we are unsure of the need, therefore, for the part of the definition above relating to 'another firm'. If this is intended to extend the term to firms that demonstrate compliance with ISQC 1 (perhaps on the basis of membership of the IFAC Forum of Firms) we do not agree with that use. If the wording is intended to restrict the definition of related firms to those operating under common quality control procedures (which may exclude certain network firms) this should be made clear.</p> <p>(2) We do not believe that the whole range of risk present in the use of other auditors is adequately served by trying to divide other auditors into two categories. Such an artificial distinction is too simplistic.</p> <p>(3) There is a danger that the group auditor will place undue reliance on related auditors. For example, paragraph 8 states that: 'In the case of an audit of group financial statements, the group auditor should also consider whether the group auditor's involvement, including the involvement of related auditors, in the audit of the group financial statements is sufficient to be able to act as group auditor.' The explanatory text makes it clear that in making a decision the group auditor considers related auditors as if they were not separate.</p> <p>(4) There is, conversely, a danger that the group auditor will be inefficient because routine reliance on common</p>	Part	Agenda Item 7-A, Appendix, paragraphs 5-7 and 11-13

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		<p>working practices within an office will be hampered by procedures and documentation produced to comply with the ISA when there is no benefit. For example, if a two-partner firm audits a group of companies and each partner takes responsibility for several subsidiary companies, even if the same staff work on all components, there is still a requirement that ‘The group auditor should obtain written communications regarding the group auditor’s requirements from the related auditor and other auditor.’</p> <p>(5) We would prefer to avoid simplistic categorization that results in rules being arbitrary in operation. Instead, the ISA should establish appropriate principles and provide necessary guidance.</p>		
7.8	MS	<p>The term “network firm” presently includes a wide range of working relationships between independent professional firms. Until definitions can be agreed to accommodate such varied relationships it is our view that the concept of the “related auditor” should be excluded from this ISA and firms other than the group auditor should be treated as “other auditors,” as described. The group auditor would have the responsibility of assessing whether the characteristics of their particular network relationship can be relied upon to mitigate the group auditor’s responsibilities to ascertain the professional infrastructure of the other firms involved in the audit and the nature and extent of the work that they have undertaken. This approach is compatible with the concept of the group auditor taking “sole responsibility.”</p>	No	<p>Agenda Item 7-A, Appendix, paragraphs 5-7</p> <p>Because of the difficulties experienced with the current definition of “network firm,” as cited in this comment, the ISA XXX definition focuses on “common monitoring quality control policies and procedures” rather than “relationships.” To ignore the existence of “related auditors” in the ISA may lead to inefficiencies in the group audit</p>
7.9	IRE Belgium	<p>Paragraph 7 of ISA-600 mentions that the related auditor should operate under <u>common</u> quality control policies and procedures as described in ISQC-1. We suggest that flexibility be allowed for the situations in which the group auditor</p>	No	

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		is satisfied with the quality control policies and procedures, followed by a candidate-related auditor, in conformity with ISQC-1, but who are not the common quality control policies and procedures as those of the group auditor?		
7.10	CICA	(1) The definition of “Related auditor” as including “... another firm operating under common quality control policies and procedures ...” is not clear. This may require further clarification as to how it is different from a network firm.  (2) Further, in our view, the term “Other auditor” lacks clarity and gives rise to grammatical problems in later text when the words “an other auditor” is required (instead of “another auditor” which is what most readers would expect). We suggest using the term “non-related auditor.”	Part	Agenda Item 7-A, Appendix, paragraphs 5-7
7.11	RMAHADEVA	Group-wide controls be defined; otherwise it will mean Total Controls Management from governance level to the lowest level.	Yes	ISA XXX.4(h)
7.12	RREGAL	Paragraph 7(h) picks up the definition of network firm from the quality control standards. I do not believe that people commenting on those standards and the definition of the term therein (or those commenting on the proposed revision to the code of ethics) did so realizing that the term would be used so liberally in relieving auditors from the requirements of other ISAs.	No	Agenda Item 7-A, Appendix, paragraphs 5-7  “Network firm” is defined in the Glossary of Terms
7.13	ICANZ	The proposed ISA 600 states that “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 Service Practices.”  As defined “related auditor” potentially may catch professional audit staff working on an audit or who may be responsible for auditing part of financial statements of an entity (including a group).  We recommend that the proposed ISA clarify that professional audit staff are not considered “related auditors” for the purpose of this standard.	No	See footnote 2 to ISA XXX
7.14	DTT	Our suggestions above are based on the principle that the group auditor and the related auditor should directly perform	No	Agenda Item 7-A,

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		<p>a significant portion of the work on the group financial statements in order to take “full responsibility.” However, we believe that the current definition of “related auditor” should be strengthened, to further convey the thought that simply sharing the same firm name does not, in and of itself, make auditors “related.”</p> <p>Also, we believe that the reference to ISQC 1 in the definition could be interpreted to mean, provided that two different firms both comply with ISQC 1, that they are “related,” even though they may have differing policies and procedures, which both comply. The definition should be based on the fact that the policies and procedures are the same, not that they comply with an international standard.</p> <p>Accordingly, we suggest the following revisions to the definition of related auditor in ISA 600 and the IAPS (additions shown in bold underline and deletions shown in strikethrough):</p> <p>“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 <b>that:</b></p> <ul style="list-style-type: none"> <li>▪ <del>operates</del> <b>operates</b> under common quality control policies and procedures, <del>and as described in International Standard on Quality Control (ISQC 1), “Quality Control for Audit, Assurance and Related Services Practices.”</del> <b>and as described in International Standard on Quality Control (ISQC 1), “Quality Control for Audit, Assurance and Related Services Practices.”</b></li> <li>▪ <b>uses the same audit methodology.</b></li> </ul>		<p>Appendix, paragraphs 5-7</p> <p>ISA XXX.30 acknowledges the effect that the application of a common audit methodology may have on the nature, timing and extent of the procedures that the group auditor performs in relation to the related auditor’s work</p>
7.15	IDW	<p>(1) Both the Standard and the IAPS use the term “related auditor” to refer to an independent auditor operating under quality control policies and procedures common to both the group and related auditor, and use the term “other auditor” to refer to an independent auditor other than the group auditor or a related auditor. We have noted a large number of paragraphs in both the Standard and the IAPS where this has created the need to awkwardly refer to both. For this reason, we suggest using the term “other auditor” to refer to independent auditors other than the group auditor and the term “unrelated auditor” to refer to independent auditors other than the group auditor or a related auditor. On this basis, an “other auditor” is either a “related auditor” or an “unrelated auditor”. We recognize that the term “unrelated auditor” will then refer to auditors that may be related in ways other than defined for the term “related auditor”, but we believe that the definitions would clarify any potential misunderstandings.</p> <p>(2) A distinction is made in the Standard and IAPS between a related and an other auditor. The key to the definition and hence determination of whether another auditor is a related auditor is the phrase “operating under common quality</p>	Yes	<p>(1) / (2) Agenda Item 7-A, Appendix, paragraphs 5-7</p> <p>(3) ISA XXX.4(f)</p> <p>(4) Definition of “parent” was deleted</p> <p>(5) ISA XXX.4(f)</p>

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		<p>control policies and procedures as described in ISQC 1”. In other words, the prerequisite for obtaining the benefits of having a related rather than other auditor perform the work on a component is the existence of common quality control policies and procedures that comply with ISQC 1. Consequently, in these circumstances the group auditor should first determine whether the other auditor in fact meets the definition of a related auditor by determining whether the other auditor operates under common quality control policies and procedures that comply with ISQC 1.</p> <p>In some networks, this determination may be easier than in others. In any case, given the potential implications for the audit of the group financial statements as described in the objectives noted in the section below, the group auditor has a responsibility to make this determination based upon his or her assessment of risks and to document the procedures performed and conclusions reached in making this decision. In light of the potentially different nature of networks, it is incumbent upon those networks seeking to have their member firms and offices regarded as related auditors to be able to demonstrate that common quality control policies and procedures are operating effectively in their member firms and offices by means such as interoffice reviews, network-wide monitoring of their effectiveness and the results of any external inspection process. Before classifying another auditor as a related auditor due to common quality control policies and procedures, we believe that the group auditor should consider whether the applicable firm or network is able to demonstrate the operating effectiveness of its common quality control policies or procedures. We suggest that the Standard include a section providing standards and guidance on the determination by the group auditor as to whether another auditor qualifies as a related auditor.</p> <p>(3) Given our comments on paragraph 4, we suggest changing the second sentence of the definition of “group financial statements” to the following: <i>“The term “group financial statements” also refers to combined financial statements consolidating, or applying the equity method to, components’ financial statements in circumstances where there is no parent.”</i></p> <p>(4) In our view, the definition of “parent” can be deleted because its use is not necessary in those paragraphs subsequent to paragraph 7 or in the IAPS where it is currently being used. We will address the use of the term “parent” where it is currently being used subsequent to paragraph 7 or in the IAPS and suggest alternative wording.</p> <p>(5) Given our general comments on the requirements in the Standard in relation to “related auditors”, we believe that an independent auditor from the group auditor’s office should not be construed as another auditor (as we suggest in our</p>		

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		<p>general comments on nomenclature) or related auditor because, in these circumstances, the group auditor acts as lead engagement partner over the independent auditor from the group auditor's office. Furthermore, when the independent auditor is from the same office, that auditor would be subject to the same quality control policies and procedures performed by the same individuals, as opposed to just common quality control policies and procedures performed by different individuals. Furthermore, the group auditor would likely know the work of that auditor personally. It may be useful to provide some separate guidance that an independent auditor from the group auditor's office is not considered a related auditor, but a part of the group auditor's team.</p> <p>On this basis, we would change the definition of "other auditor" to: "an independent auditor, other than the group auditor or another independent auditor in the group auditor's office subject to the same quality control policies and procedures performed by the same persons as the group auditor". Furthermore, we suggest changing the definition of "related auditor" by replacing "the group auditor's office, other" with "another office".</p>		
7.17	HKSA	We note that paragraph 7(h) has defined "Related auditor" to mean 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 ISQC 1. We question how a firm that operates under common quality control policies would not fit under the idea of a network firm.	No	Not all firms within a network may apply the same quality control policies and procedures
7.18	KPMG	<p>ISA 600 and the IAPS impose a different work standard on the group auditor when using the work of a related auditor as opposed to an other auditor. The different work standard is based on the presumption that the group auditor can rely on the firm's system of quality control to provide reasonable assurance that the reports issued by the related auditor and the related auditor's firm are appropriate in the circumstances. The group auditor needs to have confidence that this is the case with respect to the related auditor. This can only be achieved if the group auditor and related auditor share, as a minimum, common monitoring policies and procedures designed to help ensure that the related auditor's firm complies with ISQC 1. However, the proposed definition of related auditor is not necessarily restricted to auditors who share monitoring procedures with the group auditor. For example, the definition of a 'network firm' does not require that they have common monitoring procedures.</p> <p>We recommend that IAASB consider the following changes to the proposed ISA to help ensure that a group auditor relies on a related auditor only when he or she is justified to do so:</p>	Yes	Agenda Item 7-A, Appendix, paragraphs 5-7

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7.19	NIVRA	<ul style="list-style-type: none"> <li>■ Change the definition of related auditor as follows: An independent auditor from the group auditor’s office, other office of the group auditor’s firm <u>or another firm, including a network firm, or another firm</u> operating under common <u>monitoring quality control</u> policies and procedures as described in International Standard on Quality Control (ISQC) 1, ...</li> <li>■ Expand the ISA to clarify that when a group auditor is within a network firm that does not operate under common monitoring policies and procedures, the group auditor needs to consider the other auditor’s competence and qualifications and to consider increasing his or her involvement when the component audited by the other auditor is material or one with significant risks.</li> </ul> <p>The definition of the related auditor includes the instance where a related auditor may be another firm entirely. We understand from the proposed revised ISA 600 that firm can only be defined as “related” provided it operates “under common quality control policies and procedures, as described in ISQC 1”. Whilst pragmatically many network firms would operate this way, there may be discrete groups that do not function under common quality control policies because of legal or regulatory restrictions within the jurisdiction in which the “related firm” operates. We suggest including that further guidance that explains that where a firm is considered “related” to the group auditor but does not operate under common quality control, then the definition of “other auditor” should be applied to that firm. This could be achieved by amending the paragraph as follows:</p> <p>(h) “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.” <u>Where a firm in a network does not operate under common quality control policies and procedures as the group auditor’s firm, then the firm should follow the guidance set out for “other auditor”.</u></p>	No	However, ISA XXX.7(b) requires the group auditor to determine whether another auditor is a related auditor
7.20	IOSCO	<p><i>Definitions of Group Auditor, Related Auditor, and Other Auditor</i></p> <p>It is critical that more work be done in the proposed ISA 600 and IAPS to define what is meant by a “related auditor”. This should include consideration of criteria for what constitutes an “audit firm network”. There may be appropriate differences in the degree of diligence and the amount of work done to verify another auditor's qualifications, as well as</p>	Part	Agenda Item 7-A, Appendix, paragraphs 5-7

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		<p>the nature of communications and supervisory actions that are needed when a group auditor is conducting an audit with a closely related auditor <i>and is properly able to utilize consistent firm-wide controls that are in place for both auditors</i>. However, the necessary guidance for the group auditor to make this determination is highly interrelated with the definitions of and requirements for “related auditors” and “firm networks”.</p> <p><i>We believe that the term “related auditor” as used in this ISA should be reserved for cases where that auditor is part of the same firm under common legal control and shares the same administrative and internal control policies and quality control system.</i> This definition could possibly be extended to include a very closely affiliated (not loosely affiliated) firm that operates with a common set of operating control and quality control procedures and has agreements regarding cooperation and exchange of audit documentation and processes. Under these conditions, a commonality of traits could exist to the extent that would be the case in a single firm. Even with a firm-wide system however, we are not comfortable with treating a related auditor exactly the same as the group auditor. We believe there are still some necessary actions that the group auditor would need to carry out in order to verify the other auditor’s qualifications and to supervise the audit work of the other related auditor. The necessary steps are contemplated in the ISA and IAPS on Quality Control. For example, if a "related auditor" is in another country that has different accounting and/or auditing standards from the parent group entity, the group auditor should ascertain that the related auditor has or obtains the necessary knowledge to support the group audit, including any conversion or reconciliation entries needed for proper consolidation into the group entity. Furthermore, the group auditor should also consider reviewing the related auditor’s working papers when the related auditor is in charge of the audit of a material component or a component that includes significant risks related to the whole group.</p> <p>In any case, the definition for a related auditor should NOT include a firm that has only a marketing agreement or a referral agreement with the group auditor’s firm or parent firm. This point should hold even if the other auditor has its own independent quality control policies, even if such policies are stated to be in compliance with ISQC 1.</p> <p>It is also critical that the proposed ISA 600 and IAPS clarify the term fundamental to this whole discussion, i.e., what is a “group auditor”. Is this intended to refer only to an individual person, for example, the engagement partner on the group audit? Some of our members read the standard to refer only to the engagement partner. If this is not intended, what is the meaning of paragraph 7 (c), which refers to a related auditor as being, among other things, “another auditor</p>		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>in the group auditor’s office”? If the term “group auditor” is intended to refer to more than one individual, precisely what is and is not included?</p> <p>If the definition of related auditor is not clarified and tightened considerably with criteria similar to that which we have noted above, our view would be that a “related auditor” would have to receive the same due diligence consideration and treatment as an “other auditor”.</p>		
7.21	IOSCO	<p>Paragraph 7 Item (h) - The definition of “related auditor” seems much too broad, especially as the term is used later in the standard in the context of the group auditor having more comfort or reliance on a “related auditor” than on an “other auditor”. Also, it is not clear whether (c) “group auditor” is referring to an individual or a group of people or a firm.</p>	Part	Agenda Item 7-A, Appendix, paragraphs 5-7

**Acceptance and Continuance as Group Auditor**

Paragraph 8

Proposed ISQC 1 and proposed ISA 220, “Quality Control for Audit Engagements” contain standards and guidance on the acceptance and continuance of audit engagements. **In the case of an audit of group financial statements, the group auditor should also consider whether the group auditor’s involvement, including the involvement of related auditors, in the audit of the group financial statements is sufficient to be able to act as group auditor.** The group auditor applies professional judgment in considering the sufficiency of the group auditor’s involvement in the audit of the group financial statements. The group auditor’s consideration will be impacted by the group auditor’s preliminary understanding of the following factors:

- (a) The magnitude of the portion of the group financial statements that the group auditor and related auditors audit.
- (b) The existence of components that may include significant risks of material misstatement of the group financial statements, and whether the work on these components’ financial information will be performed by other auditors.
- (c) The complexity of the group financial statements.

ISA XXX.6

ISA XXX.11 and 13

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>(d) The group auditor’s preliminary understanding of the professional qualifications, independence, professional competence and resources of the other auditors, and of the quality control process of the other auditors’ firms.</p> <p>(e) Whether group management and component management will permit the group auditor to have unrestricted access to those charged with governance of the group, group management, component management, component information and the other auditor, including the other auditor’s working papers, and to perform such additional work on the components’ financial information as the group auditor may consider necessary.</p> <p>(f) Group management’s rationale for engaging other auditors to audit components’ financial statements.</p>		
8.1	FSR ASC	Paragraph 8 on client acceptance seems to lack a reference to the possible influence of the integrity of group and/or component management. The IAPS paragraph 16 *4 describes the group auditors experience with management integrity as a factor relevant for the continuance consideration. This reference should be part of the standard with regard to acceptance and continuance as well.	Yes	ISA XXX.6 (Fifth bullet)
8.2	FEE	<p>The group auditor has to consider whether his involvement is sufficient “to be able to act as group auditor” as indicated in paragraph 8 of the proposed revised ISA 600. This implies that the group auditor should resign in case his involvement is insufficient to be able to act as group auditor.</p> <p>In many jurisdictions in the EU, the statutory auditor is appointed for a predetermined number of years and resigning for reasons of insufficient involvement is legally prohibited. Therefore we propose to insert an additional paragraph in-between existing paragraphs 8 and 9 as follows:</p> <p>“The group auditor may consider that his involvement, including the involvement of related auditors, in the audit of the group financial statements is not sufficient to be able to act as group auditor under the requirements of this ISA. However, in some jurisdictions, the statutory auditor has the legal obligation to continue as group auditor for a predetermined period of time. In such circumstances, the group auditor will need to consider the impact of the limitation of scope on the auditor’s report on the consolidated financial statements.”</p>	No	<p>However, ISA XXX.18 provides for the group auditor to consider the likely effect of a scope limitation on the auditor’s report and whether to accept or continue the engagement. Although not explicitly stated, the matter referred to in the comment will form part of the group auditor’s consideration</p>
8.3	PWC	The bold lettered requirement in the second sentence is an important principle in a group audit. We are concerned that it does not have the appropriate level of impact because it is buried in the middle of a paragraph. We suggest that this	Yes	ISA XXX.11-18 – section

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		paragraph be rewritten so that the bold lettered requirement is the opening sentence.		redrafted and restructured
8.4	MAZARS	These both detail the group auditor’s considerations on acceptance/continuance of group auditors. These appear to be different lists of considerations. For clarity we would suggest that both contain the same points in the same order and in addition the IAPS should include more detailed practical guidance.	Yes	ISA XXX.6
8.5	IRE Belgium	Paragraph 8 of ISA-600 states the fundamental principle and guidance regarding the acceptance and continuance as group auditor. The Board is of the opinion that some additional guidance should be brought forward regarding the situation in which the group auditor is appointed for a certain term in conformity with national law and regulation (e.g. three years in the Belgian case). It might be possible that the group auditor can only resign in the case of (a) substantial reason(s). The cases where the question of continuance as group auditor depends only upon professional judgment, should be regarded as the exception, not as the rule;	No	However, ISA XXX.18 provides for the group auditor to consider the likely effect of a scope limitation on the auditor’s report and whether to accept or continue the engagement. Although not explicitly stated, the matter referred to in the comment will form part of the group auditor’s consideration
8.6	CICA	<p>(1) Paragraph 8 (a) refers to the “magnitude of the portion of the group financial statements that the group auditor and related auditors audit”. However, there is no guidance which indicates how/on what basis the magnitude would be calculated. The standard should set out examples of bases for determining this magnitude (e.g., total revenues, total assets, etc.). We recognize that this point may be clarified once the revisions to ISA 320, “Audit Materiality” have been completed.</p> <p>(2) Paragraph 8 (e) refers to unrestricted access to “... those charged with governance ...” However, the group auditor would also need access to those having oversight responsibility for the financial reporting process.</p> <p>(3) Paragraph 8 (e) also seems to imply that group management and component management can somehow authorize the group auditor to have access to the working papers of the component auditor. We believe that in most jurisdictions,</p>	Part	<p>(1) Subparagraph deleted</p> <p>(2) ISA XXX.6 (last bullet) refers to TCWG, group management and component management – will those with oversight of the financial reporting process be different?</p> <p>(3) Agenda Item 7-A,</p>

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>those working papers would be property of the auditor of the component, and accordingly only that auditor could grant access to the working papers.</p> <p>(4) Further, the utility of paragraph 8 (e) would be enhanced if it discussed more fully the nature and extent of the information to which the group auditor should have access. This presumably would include any and all information relevant to deciding on whether the group financial statements are fairly presented.</p> <p>(5) Paragraph 8 (d) also refers to the need for the group auditor to consider “the resources” of the other auditors. This seems to require some elaboration. For example, it could state something like “the partner and staff resources that the other auditors will assign to the engagement”. We assume that this reference to resources does not refer to the financial resources of the other auditors, although, in rare circumstances, this could be an issue, for example, if they are the subject of a significant lawsuit or other matters are pending that could potentially impair their ability to carry out their work as planned.</p> <p>(6) Paragraph 8 (f) states that one factor for the group auditor to consider is: “Group management’s rationale for engaging other auditors to audit components’ financial statements”. We believe that this point requires a brief discussion. For example, the text could read something like “<i>whether the Group’s management’s rationale for engaging other auditors to audit components’ of the financial statements is reasonable in the circumstances of the audit engagement</i>”.</p>		<p>paragraphs 11-13</p> <p>(4) It was not considered necessary to state that the access relates to information relevant to the group auditor’s decision as to the fair presentation of the group financial statements</p> <p>(5) Subparagraph deleted</p> <p>(6) Further explanation was not considered necessary</p>
8.7	CICA	<p>The bold lettering in this paragraph starting with “In the case of an audit or group financial statements...” seems unnecessary (i.e., the whole ISA deals with group audits). We suggest that this paragraph be changed to read as follows:</p> <p><b><del>In the case of an audit of group financial statements,</del> The group auditor should consider whether the group auditor’s involvement, including the involvement of related auditors, in the audit of the group financial statements is sufficient to be able to act as group auditor.</b> The group auditor applies professional judgment in considering the sufficiency of the group auditor’s involvement in the audit of the group financial statements. The group auditor’s consideration will be impacted by the <del>group auditor’s</del> a preliminary understanding of the following factors....</p>	No	ISA XXX.11-18 – section redrafted and restructured

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
8.8	RREGAL	<p>(1) In paragraph 8(b) the word “include” should be changed to “give rise to”. The group auditor is considering the group financial statements and so the important point is not whether a component itself includes risks (of material misstatement of the parent’s financial statements) but rather how the component’s existence affects the risks of such a misstatement (which includes but is wider than the risks in the component itself). ISA 315, “Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement” sets the definition of “significant risks” as risks that in the [group] auditor’s judgment “require special audit consideration”. It seems to me therefore that if there are any significant risks associated with a component then the group auditor must be the person that has audit responsibility for that component in order to ensure that the group auditor considers all the risks of misstatement that require special audit consideration. This would seem to make divided responsibility reporting difficult to achieve in practice. If the standards are to be followed the group auditor will have to make a separate determination each year as to whether a component can be dealt with under divided responsibility and that determination can be made only after that year’s assessment of the risks of material misstatement. However, in practice, the arrangements for who is going to audit what components are usually made at the start of the audit.</p> <p>(2) Paragraph 8(e) should refer to “auditors” in the plural (and “other auditors’ working papers”) to be consistent with the remainder of the paragraph.</p>	Part	<p>(1) Task force specifically decided to us “include” as opposed to “give rise to.” Any component can give rise to risks of material misstatement; however, the group auditor focuses on those components that are likely to include risks of material misstatement of the group financial statements</p> <p>(2) ISA XXX.6 (Last bullet)</p>
8.9	SAICA	<p>(1) Reference to the ISQC 1, ‘Quality Control for Audit, Assurance and Related Services Practices’ should be changed to ‘Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements’, and ISA 220, ‘Quality Control for Audit’ should be changed to ‘Quality Control for Audits of Historical Financial Information’.</p> <p>(2) Reference should also be made to the effective dates of these standards or alternatively the effective date of ISA 600 should be brought in line with the effective dates of the quality control standards.</p>	Yes	ISA XXX.6
8.10	APB	<p>Paragraph 8 of the proposed revised ISA and paragraph 10 of the proposed IAPS both give guidance on the factors to be considered in accepting an engagement as group auditor. The guidance, however, differs. It is confusing that different lists are presented as matters the auditor obtains a preliminary understanding of in deciding whether to accept an engagement.</p>	Yes	ISA XXX.6

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
8.11	DTT	<p>We believe that a group auditor should not accept or continue an engagement to take “full responsibility” for the group financial statements if the group auditor and related auditors do not directly perform a significant amount of the work on the group financial statements. There is a risk that an entity specifically decides to employ multiple auditors in a scheme to “divide and conquer” – essentially to conceal information about the “big picture” from any single auditor. Accordingly, we believe that some of the guidance on “Acceptance and Continuance” which is currently in the IAPS should be revised and moved to ISA 600, as follows:</p> <p><b>The group auditor <u>should</u> not accept an engagement to audit group financial statements where the group auditor and related auditor directly perform work on less than a significant portion of the group assets, liabilities, cash flows, profit or turnover (derived from paragraph 12 of IAPS).</b></p> <p><b>A significant portion ordinarily is approximately 60% of the group assets, liabilities, cash flows, profit or turnover, but may vary in different circumstances. It is important to understand the reasons why an entity is choosing to engage multiple auditors, and the auditor uses professional judgment in deciding whether to accept or continue as group auditor in situations when the auditor is asked to audit less than 60%.</b></p> <p><b>Additionally, there may be circumstances where the group auditor is put in a situation where the group auditor temporarily has less than 60% of the group assets, liabilities, cash flows, profit or turnover of the group financial statements. For example, because of an acquisition made during the middle of the year, the percentage of assets audited directly by the group auditor may change from 65% to 50%. In such circumstances, when it is impractical for the auditor to quickly react to the situation (by either resigning as group auditor or being engaged to directly audit additional components), the group auditor may still continue to serve as group auditor for the current year. However, the group auditor attempts to increase the percentage of the group financial statement audited as soon as possible, or ordinarily does not accept the engagement for the following year.</b></p> <p><b>The group auditor <u>should</u> not accept an engagement where components that have been identified at the group level as likely to include significant risks of material misstatement of the group financial statements are audited by other auditors, unless the group auditor will be able to participate in the work performed by the other auditor’s on the component’s financial information (derived from paragraph 13 of IAPS). Note: “participate in the</b></p>	Part	Agenda Item 7-A, Appendix, paragraphs 8-10

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>work performed by the other auditor” is described in Recommendation 3.</p> <p><b>The group auditor considers the practicality of participating in the other auditor’s work. For example, in the case of a component operating in a foreign jurisdiction, or in the case of a tight timetable for completing the audit, the group auditor may not be able to perform some or all of the procedures described in paragraph 9 of this proposed ISA that the group auditor considers necessary. Where the group auditor is unable to participate in the work of the other auditor to the extent considered necessary, the group auditor <u>should</u> not accept the engagement</b> (derived from paragraph 15 of IAPS).</p>		
8.12	Basel	ISA 600 refers to the proposed ISQC 1 in paragraphs 7, 8 and 17. Although ISQC 1 has now been issued in final form, we note that it does not take effect until June 15, 2005 (i.e., after the proposed effective date of ISA 600). We do not believe the reference to ISQC 1 to be appropriate if ISA 600 is to take effect at an earlier date.	Yes	
8.13	NYSSCPA	Paragraph 8: (1) The materiality or magnitude of the components in relation to the group are of utmost importance and should be emphasized in this paragraph. Items to be considered in evaluating ‘magnitude’ should be enumerated, such as, but not limited to, total assets, net income, volume of transactions, etc. (2) This paragraph should also mention the group auditors’ preliminary understanding of the other auditors’ understanding of the financial reporting framework. Paragraph 21 addresses this issue in a slightly different context. (3) The group auditor should consider whether they will have adequate control over the audit at both the group and component levels.	No	<p>(1) Subparagraph deleted</p> <p>(2) At this stage the group auditor has not yet decided to use the work of the other auditor and, as a result, may not have knowledge of the other auditor’s understanding of the financial reporting framework</p> <p>(3) Not certain what is meant by “control over the audit” – the group auditor’s determines the scope of work to be performed on</p>

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
8.14	HKSA	<p>(1) Paragraph 8 clearly distinguishes between work done by related auditors and that done by other auditors. It allows the auditor to treat work done by related auditors as being part of what we might call the auditors' "wider firm". Later in paragraph 18 a reference is made to common procedures in many other areas like recruitment, training, advancement, auditor independence, audit methodology and quality control. This clearly shows that the IAASB has had to develop the idea of a related auditor to paper over the cracks in the IFAC Ethic Code definition of a network firm. We suggest that the IAASB would need to go the whole way and say that the ethical obligations on network firms also apply to any firm that for a particular engagement is treated as a related auditor. We would also recommend that the IAASB liaise with the IFAC Ethics committee to revise the definition of the network firm.</p> <p>(2) The mandatory procedures in paragraph 8 require that the group auditor is obliged to consider whether his involvement is sufficient to be able to act as group auditor. While we note it is implied that if the answer is "no" the auditor should not accept the engagement, we would recommend that this needs to be made explicit in paragraph 8 rather than merely stating it explicitly in paragraph 15 of the proposed IAPS.</p>	Part	<p>the components' financial information and on the consolidation and, therefore, should be in control of the audit of the group financial statements</p> <p>(1) The definition of "network firm," and inconsistencies in the definitions of the various IFAC Committees, are currently being considered by an IFAC Task Force.</p> <p>ISAs are written in the context of the IFAC Code of Ethics</p> <p>(2) ISA XXX.13</p>
8.15	KPMG	<p>The effective date for the proposed ISA and IAPS is December 15, 2004. Recently issued ISQC 1 and ISA 220 are effective from June 15, 2005. Given that quality control and effective common monitoring policies and procedures are pivotal to the principles underlying the proposed ISA and IAPS, we question whether it is appropriate for the proposed ISA and IAPS to be effective before ISQC 1 and ISA 220.</p> <p>We recommend that IAASB reconsider the appropriateness of the effective date of the proposed ISA and IAPS, in view of the effective date of recently issued ISQC 1 and ISA 220.</p>	Yes	

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
8.16	NIVRA	<p>The bold lettered requirement in the second sentence is an important principle in a group audit. We are concerned that it does not have the appropriate level of impact because it is buried in the middle of a paragraph. We suggest that this paragraph be rewritten so that the bold lettered requirement is the opening sentence.</p> <p>Paragraph 9</p> <p>When the group auditor concludes that the involvement, including the involvement of related auditors, appears to be insufficient to accept or continue the engagement, the group auditor considers whether the group auditor is able to resolve the insufficiency by participating appropriately in the work to be performed by the other auditors on the components' financial information. The group auditor's participation in the other auditors' work ordinarily includes some or all of the following:</p> <ul style="list-style-type: none"> <li>• Meeting with component management.</li> <li>• Performing planning and risk assessment procedures. These may be performed jointly with the other auditor, or directly by the group auditor.</li> <li>• Performing further audit procedures. These may be performed jointly with the other auditor, or directly by the group auditor.</li> <li>• Participating in the other auditors' evaluation of audit evidence.</li> <li>• Participating in the closing and other key meetings between the other auditor and component management.</li> <li>• Reviewing the other auditors' working papers.</li> </ul>	Yes	<p>ISA XXX.11-18 – section redrafted and restructured</p> <p>ISA XXX.16</p>
9.1	FEE	<p>Paragraph 12 of the IAPS should be included in the proposed revised ISA 600 following its current paragraph 9. The IAPS suggests 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 group assets, liabilities, cash flows, profit or turnover. We are of the opinion that no percentage should be set by the standard as such rule will always be arbitrary and risk inviting arrangements to be made to abuse it. The group auditor and the related auditor should directly perform a substantial portion of the audit work, the magnitude of which is to be</p>	Part	<p>Agenda Item 7-A, Appendix, paragraphs 8-10</p>

No.	Respondent	Respondent Comment	Process- ed	Task Force Comment / Reference
		determined by the group auditor by using professional judgment as appropriate in a principle based approach. This guidance should be presented in bold lettering in the proposed revised ISA 600.		
9.2	FEE	(1) Paragraph 9 includes detailed procedures to be performed when the group auditor concludes that the involvement, including the involvement of related auditors, appears to be insufficient to accept or continue the engagement. We believe that before performing such detailed procedures, the group auditor should liaise with group management or those charged with governance of the group company to discuss the way forward. (2) The group auditor should be able to use his professional judgment to determine and apply a materiality level to the performance of the detailed procedures described in paragraph 9 for the components.	Part	(1) ISA XXX.106  (2) All audit procedures are subject to materiality considerations. It was not considered necessary to explicitly state this fact
9.3	PWC	In these paragraphs and in the proposed IAPS Paragraph 24 there are references to "performed jointly," a term that is not defined in Paragraph 7. This could be interpreted to mean that the auditors must perform the procedure "together" which is not a realistic requirement. It is common practice in most jurisdictions (unless restricted by legal or regulatory requirements) for auditing firms to decide between them who is going to perform the procedure. We therefore suggest that the proposed revised ISA 600 either include a definition of the term "performed jointly" in Paragraph 7, or simply remove the word "jointly" from each sentence, leaving the auditor to judge the percentage of work that needs to be performed and continue the practice previously applied.	Yes	
9.4	LSCA	In several places there are references to "performed jointly". This is not properly explained. In normal English usage it would mean that the auditors both perform the procedure together, whereas it probably means that they decide between them who is going to perform the procedure. The meaning of this phrase should be explained or the word "jointly" deleted from each paragraph.	Yes	
9.5	ACCA	We have commented above on the treatment of related auditors as if they were the group auditor for the purposes of deciding whether to accept or continue an engagement to audit group financial statements.  There is an underlying commercial reason why auditors are reluctant to accept responsibility for an audit of group financial statements when other auditors may be receiving a relatively high proportion of the fee. Such considerations should not, however, be dealt with in ISAs or IAPSS.	Part	(1) ISA XXX.11 - reference to quality control standards has been deleted  (2) Agenda Item 7-A, Appendix, paragraphs 8-10

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>(1) The proposed revised ISA 600 refers to the fact that: ‘Proposed ISQC 1 and proposed ISA 220, “Quality Control for Audit Engagements” contain standards and guidance on the acceptance and continuance of audit engagements.’ The Explanatory Memorandum states that ‘To assist a group auditor in deciding whether to accept or continue an engagement to audit group financial statements, the related standards and guidance have been expanded in the proposed revised ISA 600, and practical assistance has been included in the proposed IAPS.’</p> <p>As we have indicated in our comments above, we believe that the guidance on components generally is an omission from ISQC 1 and ISAs. The material on acceptance in ISQC 1 and ISA 220 revised is concerned only with the integrity of those concerned with the entity, auditor competence and compliance with ethical requirements (such as independence).</p> <p>The material in the proposed pronouncements is, however, concerned with sufficiency of involvement. This is not directly linked to any of the above and is more concerned with the potential impact of a scope limitation if, for example, there is insufficient participation in the other auditors’ work. This lack of articulation between pronouncements should be addressed.</p> <p>(2) We find little justification for the considerable overlap between the guidance in the proposed revised ISA 600 and that in the proposed IAPS and we caution against introducing numerical limits to participation as these detract from the exercise of auditor judgment.</p>		
9.6	MAZARS	This refers to ‘perform jointly’. We believe this phrase is misleading as the group auditor would either undertake the additional testing or would instruct the other auditor to perform it. We believe this should be reflected in the Standard.	Yes	
9.7	MS	We acknowledge that if the term “related auditor” were to be deleted from the ISA then the response to the situation covered by paragraphs 8 and 9 would have to be redrafted in terms of the nature of the actual relationship between the firms rather than by use of the current generic term.	NA	
9.8	CICA	This paragraph summarizes how to resolve the insufficiency of the group auditor’s involvement. However, the paragraph does not address what would happen if the reason for the insufficiency is that the unrestricted access referred to in paragraph 8(e) cannot be obtained. If the group auditor has only restricted access to information, presumably the group auditor would not continue the engagement under any circumstances. This should be clarified.	Yes	Agenda Item 7-A, paragraphs 11-13 ISA XXX.19-23

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
9.9	RREGAL	(1) In the first sentence of paragraph 9, the words “appears to be” should be replaced by “is” or else the words “resolve the insufficiency” should be replaced by “rectify the apparent insufficiency”. (2) In the fourth bullet point, I do not see how the group auditor can participate in the other auditor’s evaluation of audit evidence. Evaluation is a mental process that the other auditor undertakes. The group auditor might perform his or her own evaluation (or re-evaluation) but is not taking part in the other auditor’s evaluation when he or she does so.	Yes	(1) Paragraph has been deleted  (2) Bullet has been deleted
9.10	SAICA	“...the group auditor is able to resolve such insufficient involvement by participating to an appropriate extent in the work to be performed...”  The current wording does not qualify the extent of involvement.	NA	Paragraph has been deleted
9.11	GT	<p>Proposed revised ISA 600 stipulates that the group auditor should consider whether his or her involvement, in conjunction with the involvement of related auditors, is sufficient to be able to act as the group auditor. The proposed new IAPS further states: “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 other auditors...” We believe the 50% threshold is too low and could potentially result in the group auditor providing an opinion without being directly involved with a sufficient proportion of the organization.</p> <p>Accordingly, we suggest that proposed revised ISA 600 clearly and forcefully articulate when an auditor can be considered to be the group auditor. We believe an auditor, including any related auditors, must directly perform audit procedures on a clear majority of the organization to be considered the group auditor. In the absence of other factors, an auditor who directly audits at least 65% of an organization would meet this criterion.</p> <p>Based on our recommendation above, additional modifications need to be made to paragraphs 8 and 9 of proposed revised ISA 600. The first bullet in paragraph 8 that relates to the magnitude of the portion audited would be replaced by the guidance above. In addition, the other qualitative items addressed in paragraph 8 would need to be considered only when determining whether the auditor’s participation would be sufficient to serve as group auditor when he or she audits less than the 65% threshold.</p>	Part	Agenda Item 7-A, Appendix, paragraphs 8-10

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		With respect to paragraph 9, we believe that the auditor, including related auditors, must perform procedures directly, in addition to performing some or all of the other items listed, in order to be able to “cure” insufficient involvement.		
9.12	ICPA Kenya	There is need to clarify the extent of the difference between “involvement” and “participation” as the two terms have been portrayed to be communicating different things in paragraphs 8 & 9. In our view participation is part of involvement in the audit and involvement may be considered to be participation.	Yes	Agenda Item 7-A, Appendix, paragraphs 8-10
9.13	AICPA	<p>(1) Paragraph 9 of the proposed ISA provides guidance on the group auditor’s participation in the other auditor’s work, including performing further procedures. We strongly believe that this paragraph should include additional guidance on when the group auditor should perform further procedures, and the nature, timing and extent of those further procedures. The decision to perform further audit procedures, and the nature, timing and extent of those procedures should depend on the risks associated with the component, and the magnitude of the component. The additional procedures should be focused on the risks associated with the component.</p> <p>(2) In order for the group auditor to take sole responsibility for an audit when components of the engagement have been audited by an other auditor, the group auditor must take the steps he or she considers necessary to be satisfied about the audit performed by the other auditor. We believe that, when a complete audit of a component has been performed by the other auditor, this would ordinarily include obtaining an auditor’s report issued in accordance with the ISAs from the other auditor. When only limited procedures have been performed at the request of the group auditor, there should be a memo from the other auditor documenting the procedures performed and the results of those procedures.</p> <p>(3) When the group auditor takes sole responsibility for the audit and uses the work of an other auditor, the regulators and users of the financial statements are not aware that there are multiple auditors. We believe that for the group auditor to take sole responsibility rigorous requirements must be met.</p>	Yes	<p>(1) ISA XXX.69-76</p> <p>(2) ISA XXX.114 and ISA XXX.88-95</p> <p>(3) Agenda Item 7-A, Appendix, paragraphs 2-4 and 11-13</p>
9.14	IDW	<p>The purpose of the distinction between a related and an other auditor in the Standard and the IAPS appears to be to:</p> <ol style="list-style-type: none"> <li>1. provide criteria for the group auditor’s consideration of whether to accept or continue an engagement based upon the group auditor’s involvement in the audit, where disregarding related auditor involvement would lead to the</li> </ol>	Yes	<p>Agenda Item 7-A, Appendix, paragraphs 5-7</p> <p>(1) ISA XXX.7(b) – group</p>

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>appearance that the group auditor's involvement may not be sufficient to justify acting as group auditor (paragraphs 8 and 9)</p> <p>2. allow reliance upon the professional qualifications, independence, professional competence, resources and quality control processes of the related auditor without having to perform the same nature and extent of procedures as would be necessary in relation to other auditors (paragraphs 15 to 18)</p> <p>3. allow reliance upon the work of the related auditor so that the group auditor can reduce the degree of participation in, and the review of, the work performed compared to the degree of participation in, and review of, the work performed that might have been applied for an other auditor (paragraphs 26 and 27).</p> <p>4. distinguish those other auditors with whom the group auditor can divide responsibility (other auditors) from those with whom the group auditor would not divide responsibility (paragraph 6)</p> <p>(1) We consider these objectives legitimate. However, as noted above in the previous section, we believe that the objectives noted above cannot be met by the requirements set forth in the Standard unless the group auditor has considered whether another auditor in question is a related auditor.</p> <p>(2) Furthermore, we are concerned that, depending upon the group auditor's risk assessment, reliance upon common quality control procedures may justify having the group auditor reducing the work needed in relation to the work of the related auditor, it does not necessarily justify having the group auditor rely solely upon the work of the related auditor without further review where the group auditor's risk assessment suggests that there may be significant risks.</p> <p>In this context, we believe that a group auditor's decision whether to accept or continue an engagement cannot be based upon the extent to which the group auditor and related auditors audit the financial statements of components of the group alone (see paragraphs 8 and 9). In our view, a group auditor's decision whether to accept or continue an engagement should be based upon whether the group auditor believes that he or she will be in a position to properly address the risks of misstatement in the group financial statements based upon the group auditors involvement in the audit of the components' financial statements, the extent to which related auditors are involved in audits of component financial statements and in light of the extent to which certain other auditors audit component financial statements. We</p>		<p>auditor to determine whether other auditor is related auditor</p> <p>(2) ISA XXX.11, 13 and 69-76</p>

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		therefore suggest that paragraphs 8 and 9 be revised along these lines.		
9.15	Basel	<p>(1) The Committee considers the “Acceptance and Continuance as Group Auditor” section and the related guidance in the IAPS to be of major importance. Therefore, as discussed below, we recommend strengthening paragraphs 8 and 9 of the Standard and paragraphs 12 and 13 of the IAPS.</p> <p>(2) We recommend merging the factors listed in paragraph 10 of the IAPS with the factors enumerated in paragraph 8 of the Standard.</p> <p>(3) Paragraph 9 of the Standard states that if the group auditor concludes that the group auditor’s involvement, including the involvement of related auditors, appears to be insufficient to accept or to continue the engagement, the group auditor considers whether the group auditor is able to resolve the insufficiency by participating appropriately in the work to be performed by the other auditors on the component’s financial information. We believe that, depending on the nature of the group auditor’s relationship with a "related auditor", the group auditor may well need to consider participating in the work performed by related auditors on the component’s financial information, as well as work performed by other auditors, and that the Standard should provide guidance to this effect.</p>	Yes	<p>(1) Agenda Item 7-A, Appendix, paragraphs 8-10</p> <p>(2) ISA XXX.6</p> <p>(3) ISA XXX.69-76</p>
9.16	NIVRA	<p>In these paragraphs and in the proposed IAPS Paragraph 24 there are references to "performed jointly", a term that is not defined in Paragraph 7. This could be interpreted to mean that the auditors must perform the procedure “together” which is not a realistic requirement. It is common practice in most jurisdictions (unless restricted by legal or regulatory requirements) for auditing firms to decide between them who is going to perform the procedure. We therefore suggest that the proposed revised ISA 600 either include a definition of the term “performed jointly” in Paragraph 7, or simply remove the word “jointly” from each sentence, leaving the auditor to judge the percentage of work that needs to be performed and continue the practice previously applied.</p>	Yes	
9.17	IOSCO	<p>Paragraph 9 - As mentioned earlier in this letter, we are not comfortable with a related auditor being judged equivalent to the group auditor. Therefore it would seem more appropriate to have the phrase set off in commas read "including involvement in the work of related auditors", rather than "including the involvement of related auditors" as at present. Consequently, this paragraph should also contemplate the principle that the group auditor should ask itself to what</p>	Part	<p>ISA XXX.30-31 (evaluation of other auditors)</p> <p>ISA XXX.69-76 (involvement in the work of</p>

No.	Respondent	Respondent Comment	Processed	Task Force Comment / Reference
		extent it might be appropriate to perform the procedures on the related auditor's work listed in the bullet points.		other auditors)
<b>Scope of Work to be Performed on the Components' Financial Information and the Consolidation</b>				
		Paragraph 10 <b>The group auditor should determine the audit procedures to be performed on the consolidation and the scope of work to be performed directly, or by the related auditor or other auditor, on the components' financial information to respond to the assessed risks of material misstatement of the group financial statements.</b>		ISA XXX.59
10.1	ICAI ASC	There should be some guidance on the criteria above which the auditor can't accept the work of another auditor.	Yes	ISA XXX.69-76
10.2	ICAEW	This section might usefully discuss the need to agree the scope of the group auditor's work with those charged with governance.	Yes	ISA XXX.106
10.3	FEE	A requirement to "assess" and "identify" significant risks and risks of material misstatement of the group financial statements is omitted in the proposed revised ISA 600. In paragraph 10 of the ISA the auditor is required to "respond" to the assessed risks of material misstatement of the group financial statements and in paragraph 34(b) the auditor is required to document the assessment of such significant risks. The requirements for the assessment of risks including identifying significant ones as well as responding to such risks, is dealt with in the IAPS (paragraph 49 and onwards). Therefore, we recommend including the relevant parts of these requirements of the IAPS in the proposed revised ISA 600, together with references to ISA 315 "Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement" and ISA 330 "The Auditor Procedures in response to Assessed Risks" before the ISA's current paragraph 10.  The requirements of paragraph 49 of the IAPS should be presented in bold lettering with the remainder in grey lettering in the proposed revised ISA 600.	Yes	ISA XXX.40-57
10.4	FAR	In paragraph 10 the auditor is required to <b>respond</b> to the assessed risks of material misstatement of the group financial statements and in paragraph 34 (b) the auditor is required to <b>document the assessment</b> of <b>significant</b> such risks.	Yes	ISA XXX.40-57

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		However ISA 600 (Revised) does not include a requirement on the very assessment of risks including identifying significant ones, but this, as well as the responding, is dealt with in the IAPS (paragraph 49 and onwards). The rationale for the omission of the very requirement to assess is not obvious in ISA 600 (Revised) and a redraft to clarify this should therefore be considered.		
10.5	NYSSCPA	In paragraph 10, the use of word ‘directly’ is inconsistent with wording used elsewhere in the document. Instead, the word ‘directly’ should be replaced with “by the group auditor.”	Yes	
10.6	IOSCO	Paragraph 10 – Add a final sentence “Depending upon the circumstances of the audit, audit procedures performed by another auditor may range from assigned procedures performed on a component and documented as requested by the group auditor and in accordance with ISAs, to a full scope audit of a component accompanied by an audit opinion.”	No	Additional clarification was not considered necessary; however, ISA XXX.59 and text that follows may address concern
		<p>Paragraph 11</p> <p>The group auditor performs audit procedures on the consolidation and performs, or requires related auditors or other auditors to perform, work on the components’ financial information to respond to the assessed risks of material misstatement of the group financial statements.</p>		Paragraph deleted
11.1	CICA	Paragraph 11 should be deleted as it seems redundant (i.e., a duplication of paragraph 10), and does not seem to add anything new to the guidance.	Yes	
11.2	GT	This paragraph seems to be redundant with paragraph 10.	Yes	
		<p>Paragraph 12</p> <p>In determining the scope of work to be performed on the components’ financial information, the group auditor ordinarily identifies components that are of individual financial significance and components that have been identified at group level as likely to include significant risks of material misstatement of the group financial statements. For each of these components, the group auditor ordinarily performs, or requires related auditors or other auditors to perform,</p>		ISA XXX.61-62

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>one of the following on the components' financial information:</p> <p>(a) An audit performed in the context of materiality determined by the group auditor for the components.</p> <p>(b) A special purpose audit of specified account balances relating to the identified significant risks.</p> <p>(c) Specified audit procedures relating to the identified significant risks.</p>		
12.1	PWC	<p>In sub-section (b) of this paragraph, the proposed revised ISA 600 introduces the term "<i>special purpose audit</i>". Whilst we recognize there is guidance in ISA 800 on the independent auditor's report on special purpose audit engagements, there is no definition of a "special purpose audit" in either ISA 800 or in the glossary of terms. Accordingly we suggest that the ISA expand this sentence to clarify what is meant by a "special purpose audit".</p>	Yes	Revised term: "Audit of specific account balances"
12.2	CICA	<p>(1) Paragraph 12 refers to the group auditor identifying components that are of individual financial significance. However, there is no guidance which indicates how/on what basis the magnitude would be calculated. The standard should set out examples of bases for determining this magnitude (e.g., total revenues, total assets, etc.). We recognize that this point may be clarified once the revisions to ISA 320, "Audit Materiality" have been completed.</p> <p>(2) Further, this paragraph uses the term "a special purpose audit." There should be a reference to where this term is defined.</p>	Yes	(1) ISA XXX.9 (2) Revised term: "Audit of specific account balances"
12.3	IDW	<p>(1) In line with our general comments, we suggest changing part of the first sentence as follows: "... and the components have been identified at group level as having a greater than acceptably low level of risk of including significant risk of material misstatement of the group financial statements."</p> <p>(2) Without prejudicing the views of the ISA 800 or Materiality Task Forces, we believe that an audit performed in the context of materiality determined by the group auditor for the components is a "special purpose audit engagement" because this materiality may be significantly different than that applied in an audit engagement reported under ISA 700. Furthermore, this depends upon how the group auditor asks the auditor of the component's financial statements to deal with "material" and "immaterial" misstatements identified; in some cases "materiality" as defined by the group auditor actually refers to the "precision" of the audit tests. Consequently, we suggest amending the wording of point (a) as follows: "A special purpose audit engagement on the components' financial information in the context of materiality</p>	No	(1) Terms discussed by the IAASB before approval of the exposure draft. At the time, the IAASB agreed not to accept the proposal (2) ISA XXX.35-39 in line with proposal received from Audit Materiality Task Force

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		or precision determined by the group auditor for each component”.		
12.4	NIVRA	In sub-section (b) of this paragraph, the proposed revised ISA 600 introduces the term “ <i>special purpose audit</i> ”. Whilst we recognize there is guidance in ISA 800 on the independent auditor’s report on special purpose audit engagements, there is no definition of a “special purpose audit” in either ISA 800 or in the glossary of terms. Accordingly we suggest that the ISA expand this sentence to clarify what is meant by a “special purpose audit”.	Yes	Revised term: “Audit of specific account balances”
12.5	E&Y	<p>Paragraph 10 requires the group auditor to determine the scope of the work to be performed directly, or by the related auditor or other auditor, on the components’ financial information to respond to the assessed risks of material misstatement of the financial statements. Paragraph 12 states that, “In determining the scope of the work to be performed on the components’ financial information, the group auditor identifies... components that have been identified at group level as likely to include significant risks of material misstatement.... For each of these components, the group auditor ordinarily performs... one of the following... b) a special purpose audit of specified account balances relating to the identified significant risks c) specified audit procedures relating to the identified significant risks.”</p> <p>There appears to be a presumption that the group auditor has access to all of the information at the component level and possesses a sufficient understanding of all of the components to be able to perform risk assessments and design either a special purpose audit or specified audit procedures responsive to those risks. We question whether this requirement can be met in all cases by the group auditor and without requiring the involvement of the related auditor or other auditor.</p>	No	<p>Group auditor is required to obtain a preliminary understanding and identify significant components before accepting / continuing the engagement – ISA XXX.5-10</p> <p>ISA XXX.19-23 deal with access to information considerations</p> <p>ISA XXX.40-57 requires the group auditor to extent the preliminary understanding and to perform a risks assessment at group level</p> <p>ISA XXX.64-65</p>
		<p>Paragraph 13</p> <p>Components that are not of individual financial significance or that have not been identified at group level as likely to include significant risks of material misstatement may, when aggregated with other such components, cause the group</p>		

No.	Respondent	Respondent Comment	Processed	Task Force Comment / Reference
		financial statements to be materially misstated. The scope of work to be performed on the financial information of such a component is a matter of professional judgment and could include an audit of the component's financial information based on materiality determined by the group auditor, specified audit procedures, a review of the component's financial information, or analytical procedures performed at group level.		
13.1	NYSSCPA	In paragraph 13, changes in the materiality of the component should also be considered. Changes in materiality may indicate a heightened audit risk.	No	The group auditor considers the individual financial significance (materiality) of components on an annual basis. A change in the individual financial significance of a component, i.e. a change from insignificance to significance, will affect the "categorization" of the component.
13.2	IDW	<p>We are not convinced that all of the thresholds applied in paragraphs 12 and 13 for the determination of the scope of work to be performed on the components' financial information are appropriate. The use of these thresholds is also depicted in the diagram subsequent to paragraph 56 in the IAPS, which appears to form the basis for their use in the Standard. Hence, we will therefore address both the Standard and IAPS here in parallel.</p> <p>The first threshold "is the component of individual financial significance?" appears appropriate because this is a question of fact based upon materiality considerations. However, the second threshold "has the component been identified at group level as likely to include significant risks of material misstatement of the group financial statements?" does not appear to be appropriate because of the threshold criterion "likely". The application of "likely" implies that, only if the likelihood of the inclusion of significant risks of material misstatement at the group level is</p>	No	Terms discussed by the IAASB before approval of the exposure draft. At the time, the IAASB agreed not to accept the proposal

No.	Respondent	Respondent Comment	Process- ed	Task Force Comment / Reference
		<p>greater than 50 % will the group auditor require the scope of work defined in paragraph 59 of the IAPS. By implication, if there is a 49 % likelihood (i.e., a close to even chance) of the inclusion of such significant risks, then the group auditor would not require those procedures defined in that paragraph. Instead, the group auditor could require or perform some of the lesser procedures (e.g., review of the component’s financial information or analytical procedures performed at group level) defined in paragraph 60 of the IAPS. It causes us some concern that a substantial likelihood of significant risks will not lead to the application of more stringent procedures.</p> <p>In our view, the correct threshold criterion must be related to the overall requirement that audit risk for the group audit be reduced to an acceptably low level. On this basis we suggest the following wording for the threshold: “has the component been identified at group level as having a greater than acceptably low level of risk of including significant risks of material misstatement of the group financial statements?”</p> <p>The first half of the third threshold “could the component, when aggregated with other individually insignificant components, be of financial significance ...?” appears to be appropriate because, like the first threshold, this is a question of fact based upon materiality considerations. However, the second half of the third threshold “could the component, when aggregated with other individually insignificant components, give rise to significant risks of material misstatement of the group financial statement?” does not appear to be appropriate because of the threshold criterion “give rise”. The application of “give rise” sets a much lower threshold criterion than either “likely” or “greater than acceptably low level of risk”, which would effectively prevent most components from being classified as “remaining components”. Given our suggestion for the second threshold, we suggest the following wording for the third threshold:</p> <p style="padding-left: 40px;">“Could the component, when aggregated with other individually insignificant components, be of financial significance, or be identified at group level as having a greater than acceptably low level of risk of including significant risks of material misstatement of the group financial statements?”</p> <p>We suggest that paragraphs 12 and 13 of the Standard and the Diagram subsequent to paragraph 57 in the IAPS, as well as paragraphs 58 to 61 in the IAPS, be amended accordingly.</p>		
13.3	IDW	(1) In line with our general comments, we suggest amending the first sentence as follows: “Components that are not of individual financial significance or that have not been identified at group level as having a greater than acceptably low	Part	(1) See response to 13.2

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>level of risk of including significant risks of material misstatement of the group financial statements may, when aggregated with other such components, be of financial significance or have a greater than acceptably low level of risk of including significant risks of material misstatement of the group financial statements.”</p> <p>(2) In line with our comments on paragraph 12, we suggest changing part of the second sentence as follows: “...is a matter of professional judgment and could include one of the engagements listed in paragraph 12 or a review of the component’s financial information, or analytical...”</p>		(2) ISA XXX.64-65
13.4	IOSCO	<p>Paragraphs 13 and 15 - both these paragraphs should make reference to paragraph 27 as well as paragraph 9, and the last sentence in paragraph should read as follows"...</p> <p>When the group auditor is unable to participate in the work of the other auditor to the extent considered necessary, and is unable to arrange for the procedure described in paragraph 27, the group auditor does not accept the engagement.</p> <p>Paragraph 14</p> <p>The group auditor’s decision on the work to be performed on a component’s financial information may be impacted when, in addition to the audit of the group financial statements, the group auditor, related auditor or other auditor is required by statute, group management or component management to express an audit opinion on a component’s financial statements. The group auditor may decide to use the audit evidence obtained in the audit of the component’s financial information for purposes of the audit of the group financial statements.</p>	Part	ISA XXX.18
				ISA XXX.67-68
14.1	PWC	<p>We believe the last sentence in Paragraph 14 misrepresents the objective of the proposed revised ISA 600, (as noted in reference to Paragraph 3 above). Although subtle, it suggests that the group audit planning process is impacted by the decisions made at the component level. We recommend that the proposed revised ISA clarify that the considerations of the reporting process form part of determining the scope of work to be performed. For example:</p> <p><u>“In such circumstances, the audit evidence obtained in the audit of the component’s financial information is ordinarily also relevant to the group auditor and, therefore, the group auditor may plan to use the audit evidence obtained in the audit of the component’s financial information for purposes of the audit of group financial statements.”</u></p>	No	But see redrafted ISA ISA XXX.67-68

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
14.2	CICA	Paragraph 14 should provide more detail as to how the group auditor's decision on the work to be performed on a component's financial information may be impacted when the financial statements of the component are audited in the context of materiality determined by the related or other auditor. The additional information found in paragraphs 54 to 68 of the IAPS does not seem sufficient. For example, the guidance could suggest additional procedures that may be performed in this situation.	Part	ISA XXX.68
14.3	RREGAL	I find the first sentence of paragraph 14 difficult to comprehend. It appears to be saying "The fact that a component's financial statements are subject to audit may affect the group auditor's decision on the work to be performed on the component's financial information for the purpose of the audit of the group financial statements." If so, I suggest that it be rewritten as above.	Yes	ISA XXX.67
14.4	SAICA	ISA 600 paragraphs 10 to 14 state that the group auditor should determine the audit procedures to be performed on the components' financial information to respond to the assessed risks of material misstatement of the group financial statements. No mention is made of the situation where the related auditor or other auditor is required by statute to express an opinion on the financial statements of the component. In such circumstances, the audit procedures cannot be less than what would be required for the related auditor or other auditor to be able to express an opinion on the components' financial statements. It is suggested that mention be made of local statutory or other requirements as is done in the IAPS paragraph 56 and that the group instructions plus the local requirements would be followed by the related auditor or other auditor in auditing the components' financial statements.	Yes	ISA XXX.67-68
14.5	NIVRA	We believe the last sentence in Paragraph 14 misrepresents the objective of the proposed revised ISA 600, (as noted in reference to Paragraph 3 above). Although subtle, it suggests that the group audit planning process is impacted by the decisions made at the component level. We recommend that the proposed revised ISA clarify that the considerations of the reporting process form part of determining the scope of work to be performed. For example:  <u>"In such circumstances, the audit evidence obtained in the audit of the component's financial information is ordinarily also relevant to the group auditor and, therefore, the group auditor may plan to use the audit evidence obtained in the audit of the component's financial information for purposes of the audit of group financial statements."</u>	No	But see redrafted ISA XXX.67-68

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<b>Professional Qualifications, Independence, Professional Competence, Resources and Quality Control Process of the Other Auditor</b>				
		<p>Paragraph 15</p> <p><b>When the group auditor decides to use the work of an other auditor, the group auditor should consider the professional qualifications, independence, professional competence and resources of the other auditor, and the quality control process of the other auditor's firm in the context of the work to be performed by the other auditor.</b></p>		ISA XXX.25-27
15.1	FSR ASC	Paragraph 15 on considerations of professional qualifications etc. considers only an other auditor. In our opinion these considerations are also relevant for related auditors although the "answers" in most cases would be obvious and quite evident here. To be sure, though, it would be wiser to make the paragraph all embracing and refer to simplicity of the decision by a related auditor.	Yes	ISA XXX.25 now applies to both related and unrelated auditors
15.2	AGV	Proposal supported. We recommend that the standard emphasize the importance of the group auditor assessing the other auditor's professional competence in the context of the specific assignment.	Yes	ISA XXX.26
15.3	ICAEW	The draft ISA contains various requirements for group auditors to consider, document and obtain representations on the independence and quality control processes of other auditors, including their compliance with ISQC 1 and the IFAC Code of Ethics (paragraphs 15, 17, 34 and 37). It would be helpful if the ISA provided guidance on the disclosure of inadvertent breaches of ISQC 1 and the Code of Ethics.	Yes	ISA XXX.34
15.4	JICPA	<p>Paragraph 15 states that the group auditor should consider the quality control process of the other auditor's firm when deciding when to use the work of the other auditor. However, even though the quality control system of the other auditor's firm is not considered effective, individual audit engagements could be conducted in accordance with quality control standards because ISA 220 "Quality Control for Audits of Historical Financial Information" states that a deficiency in the firm's system of quality control does not indicate that a particular audit engagement was not performed in accordance with professional standards including quality control standards (ISA220.42).</p> <p>We suggest including additional description to the effect that when deciding to use the work of another auditor, the group auditor may use the work of the other auditor whose engagement was, in the group auditor's judgment,</p>	No	The decision (inter alia based on whether the other auditor's firm's quality control process is satisfactory) as to whether to use the work of the other auditor is done before the other auditor has performed

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		performed in accordance with professional standards including quality control standards.		the work. The adequacy of the other auditor's work is considered at a later stage, i.e. after he has performed the work.
15.5	MAZARS	<p>The standard acknowledges that a group auditor's relationship with a related auditor may well be different to that of another auditor.</p> <p>We agree that in practice the working relationship between the group auditor and a related auditor may be easier to manage. However we do not believe that the standard should assume less consideration is required in relation to professional qualifications, etc of a related auditor (para 15) or that an acknowledgement is not required of a related auditor that the group auditor intends to use the related auditor's work (para 21). This decision should be taken by the group auditor at an assignment level, rather than set in a Standard.</p>	Yes	ISA XXX.25 now applies to both related and unrelated auditors
15.6	APB	<p>(1) Paragraph 15 of the proposed revised ISA requires the group auditor to "consider the ... independence ... of the other auditor". The APB believes that the group auditor should be required to be satisfied, rather than just consider, the independence of the other auditor. In this respect, the group auditor should communicate to the other auditor the independence requirements the group auditor expects the other auditor to comply with and request written confirmation of compliance.</p> <p>(2) The APB also believes that the group auditor's responsibility to be satisfied about independence should extend to <u>related auditors</u> as well as to other auditors. While the definition of related auditors requires common quality control policies and procedures to be established, the requirement for there to be common ethical standards is somewhat indirect. The APB believes that ISA 600 needs to give additional emphasis to the group auditor's consideration of the independence and objectivity of component auditors (whether within the "network" or otherwise).</p>	Yes	<p>(1) ISA XXX.34 provides guidance when unrelated auditor is not independent</p> <p>ISA XXX.110(c), 114(a) and footnote 7 provides guidance on communication about independence</p> <p>(2) ISA XXX.25 now applies to both related and unrelated auditors</p>
15.7	NYSSCPA	In paragraphs 15, 26, 34, and 37, the group auditor is asked to consider the "professional qualifications, independence, professional competence and resources of the other auditor, and the quality control process of the other auditor's firm."	No	ISA XXX.25 sets the principle and ISA XXX.26

No.	Respondent	Respondent Comment	Processed	Task Force Comment / Reference
		Furthermore, paragraph 21 asks the group auditor to evaluate whether the related auditor or other auditor has sufficient understanding of the ISA's. These are very strong and necessary procedures; however, the statement does not offer any practical advice for performing these steps. What would constitute sufficient evidence that these procedures have been performed adequately?		<p>indicates what the group auditor's consideration might include</p> <p>ISA XXX.32 deals with sources of information and evidence to be obtained</p> <p>ISA XXX.110 further provides for the group auditor to obtain confirmations from the other auditors</p> <p>ISA XXX.117(b) requires the group auditor to document the conclusion reached with regard to the professional qualifications, etc. of the other auditor</p>
15.8	IDW	We believe that not only independence, but compliance with other ethical requirements ought to be considered.	No	Agreed – therefore dealt with in ISA XXX.110(c) and 114(a)
15.9	Basel	When the group auditor decides to use the work of an other auditor, the group auditor should consider the professional qualifications, independence, professional competence and resources of the other auditor, and the quality control process of the other auditor's firm (paragraph 15 of the Standard). Paragraph 21 of the IAPS states that when the other auditor is not independent or the group auditor is not satisfied with the professional qualifications, professional competence and resources of the other auditor, and with the quality control process of the other auditor's firm, the	Yes	ISA XXX.34

No.	Respondent	Respondent Comment	Process- ed	Task Force Comment / Reference
		<p>group auditor plans to obtain audit evidence relating to the component’s financial information without using the work of the other auditor. The Committee recommends that paragraph 21 of the IAPS be moved from the IAPS to the Standard to strengthen the principle stated in paragraph 15 of the Standard.</p>		
		<p>Paragraph 16</p> <p>There are a number of sources from where the group auditor may obtain information about an other auditor, 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 or references from third parties.</p>		ISA XXX.32
16.1	ICAI ASC	<p>Additional guidance should be given on practical issues, for example guidance on the questionnaire. Problems could arise if the other auditor is not forthcoming with this information. The IAPS may be an appropriate place for such guidance.</p>	No	<p>The fact that the other auditor is not forthcoming with the information will impact the group auditor’s overall satisfaction with the professional qualifications, etc. of the other auditor and will lead to the group auditor planning to obtain audit evidence relating to the component’s financial information without using the work of the other auditor (ISA XXX.34)</p>
16.2	CICA	<p>(1) This paragraph refers to the group auditor obtaining information from the “authority by which the other auditor is licensed”. There may be confidentiality issues relating to this information which should be explored prior to including</p>	Part	<p>(1) Where the information is considered confidential, the licensing authority will</p>

No.	Respondent	Respondent Comment	Processed	Task Force Comment / Reference
		<p>this guidance in the standard.</p> <p>(2) The word “or” should be removed from the following sentence: ... the professional body to which the other auditor belongs, or the authority by which the other auditor is licensed or references from third parties.</p>		<p>not make it available to the group auditor and the group auditor will have to obtain the information from another source.</p> <p>(2) ISA XXX.32 (Fourth bullet)</p>
16.3	GT	<p>We suggest expanding this paragraph to reflect that the group auditor should determine, as applicable, whether the other auditor is appropriately registered / licensed with the appropriate authority. It should be noted that a registration / license does not, in and of itself, signify professional competence.</p>	Yes	ISA XXX.32 (Fourth bullet)
16.4	APB	<p>Paragraph 16 of the proposed revised ISA indicates that a source from which the group auditor may obtain information about an other auditor is “the professional body to which the other auditor belongs or the authority by which the other auditor is licensed”. The guidance should go further and indicate that, where appropriate, the group auditor determines whether the other auditor is properly registered / licensed by the professional body or licensing authority, and obtains an understanding of the requirements for registration/licensing. For example, it would be helpful to the group auditor to know if the other auditor has to be able to demonstrate professional competence or whether registration / licensing simply requires payment of a fee.</p>	No	<p>However, ISA XXX.32 (fourth bullet) suggests that a confirmation is obtained</p>
16.5	IDW	<p>We believe that the group auditor’s consideration of whether the professional qualifications, independence, professional competence, resources and quality control process of the other auditor are adequate for the group auditor’s purposes ought to include the consideration of the results of any external inspection process applied to the other auditor. Furthermore, to the extent that such an external inspection process examines whether the other auditor has adequate quality control policies and procedures as defined by that inspection process, we believe that, based upon the group auditor’s risk assessment, the group auditor ought to be in a position to consider placing some reliance on the adequacy of quality control policies and procedures where the results of a recent external inspection suggest that these policies and procedures may also be adequate for the purposes of the group auditor. However, such reliance would not</p>	Yes	<p>Last sentence of ISA XXX.33</p>

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		likely be to the same extent possible as for a related auditor, who operates under common quality control policies and procedures.		
		Paragraph 17 With regard to the quality control process of the other auditor’s firm, the group auditor obtains a representation that the quality control process complies with the proposed ISQC 1.		ISA XXX.33
17.1	ICAEW	This paragraph might indicate from whom the representation should be sought (the audit engagement partner or the partner responsible for quality control, for example).	Yes	ISA XXX.33
17.2	FEE	The ISA also proposes in paragraph 17 that the group auditor seek written representation from the other auditor on their compliance with ISQC 1. Neither ISQC 1 nor the proposed ISA clarify what “compliance with ISQC 1” means. For example, if a firm’s monitoring procedures identified an isolated instance of non-compliance (which could be inadvertent and not of significance to the quality of any engagements), and appropriate procedures have been taken to address the identified problem, it is not clear whether the firm can represent to be in compliance with the ISQC or that all identified instances of non-compliance must be identified. Also, if the firm responds promptly and appropriately to findings from its monitoring procedures, it is not obvious if it can be argued that the “system of quality control” is self-correcting and operating appropriately. Finally, a “materiality” judgment appears to be appropriate to form a judgment regarding the point at which a weakness identified is considered a threat to audit quality.	Part	ISA XXX.33
17.3	ICAP	Paragraph 17 of the proposed revised ISA 600 requires that “with regard to the quality control process of the other auditor’s firm, the group auditor obtains a <i>representation</i> that the quality control process complies with the proposed ISQC 1.  It is felt that sufficient transition period should be allowed to the auditors before enforcing this requirement. The reason being that the audit firms not having quality control procedures upto the standard laid down in the proposed ISQC 1 ought to be given ample time to be able to comply with the quality control standards, only then a “representation” could be obtained from an audit firm.	Yes	

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
17.4	PWC	<p>Paragraph 17 in the proposed revised ISA 600 states that the group auditor obtains a representation from the other auditor that their quality control process complies with ISQC 1. We believe that there is need for further direction from IAASB on the representation that is expected.</p> <p>ISQC 1 establishes standards and guidance for a system of quality control that is self-monitoring and self-correcting. At any point in time, there may be deficiencies, which may or may not be significant and may be isolated or indicative of a more pervasive matter that needs to be addressed. The effectiveness of the system over time depends on having effective quality control procedures built into the audit process and monitoring processes that identify deficiencies and enables appropriate people in the firm to take appropriate action to address them. Having a deficiency at any point in time may not be indicative that the system of quality control is ineffective, nor should it imply that the firm is not complying with ISQC 1.</p> <p>We therefore suggest extending the guidance in the proposed revised ISA 600 to suggest that the other auditor should make the representation; that their firm is in compliance with ISQC 1, remedial action is taken promptly in relation to issues identified from the other auditor's monitoring program, and there are no issues from the most recent monitoring program which have an impact on the audit of the component for which the other auditor is responsible.</p>	Yes	ISA XXX.33
17.5	PWC	<p>(1) We recommend the proposed revised ISA 600 make reference to any publicly available reports regarding the quality control processes of the other auditor's firm. In addition, we do not believe the opening language used in the paragraph is consistent with that used throughout the proposed revised ISA and suggest that it is amended as follows:</p> <p>(2) 17. <del>With regard to the quality control process of the other auditor's firm, the</del> The group auditor should obtain a representation from the other auditor that their quality control process complies with the proposed ISQC 1, that remedial action is taken promptly in relation to issues identified in their monitoring program and that there are no issues from the most recent monitoring program which have an impact on the audit of the component for which the other auditor is responsible. The group auditor may also be able to obtain a representation from the body responsible for conducting the firm's external quality assurance or inspection or, at a minimum, obtain a copy of the report of the latest inspection".</p>	Part	<p>(1) ISA XXX.33</p> <p>(2) Section also deals with matters other than the quality control process – opening language of paragraph clarifies this</p>
17.6	IRE Belgium	<p>Paragraph 17 of ISA-600 requires the auditor to rely upon representations with regard to the quality control process of</p>	Yes	ISA XXX.34

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
17.8	CICA	<p>the other auditor's firm. The Board is of the opinion that some additional guidance is needed to clarify what the group auditor does in case the group auditor considers these representations as inadequate;</p> <p>This paragraph should clarify who should provide the group auditor with the representation that the other auditor's firm complies with the proposed ISQC 1. Usually the representation would be provided by a partner on the engagement from the other auditor's firm.</p>	Yes	ISA XXX.33
17.9	RREGAL	<p>Paragraph 15 requires the group auditor to consider various factors relating to the other auditor. Paragraphs 16 and 17 give various sources of information for that consideration, including representations from the other auditor. However, no mention is made of the need to check the representations to be satisfied that they are accurate.</p>	No	<p>Not sure how the accuracy of the representations will be "checked." The intention was for the group auditor to rely on the representation obtained from the other auditor. However, proposed additional guidance on the results of external inspection processes (see 16.5 and 17.5) may assist in this regard.</p>
17.10	ICANZ	<p>We recommend that paragraph 17 be a black letter paragraph. Alternatively paragraph 17 could be combined with paragraph 22 which establishes requirements regarding written confirmations from related and other auditors.</p>	No	<p>The principle is that the group auditor should evaluate the professional qualifications, etc. of the other auditor – see ISA XXX.25</p> <p>The representation is one</p>

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				source of information – the group auditor could also rely on the results of visits, questionnaires, prior experience, etc.
17.11	Basel	We also believe that there is an inappropriate implication in paragraph 17 of the Standard that the group auditor's consideration of the quality control process of the other auditor's firm consists simply of seeking a representation that it complies with the firm-level quality control standard (ISQC 1). We believe that the group auditor needs instead to understand what quality control processes the other auditor actually has in place and whether the results of internal or external monitoring indicate a need for improvements to be implemented.	Yes	ISA XXX.33
17.12	HKSA	The mandatory procedure requires the group auditor to consider the quality control process of the other auditor's firm. The guidance in paragraph 17 states that with regard to quality control process the group auditor obtains a representation that the other auditor complies with ISQC 1. It implies the only procedure relating to quality control process of another auditor is to obtain the representation. We do not consider that the obligation to consider the quality control process can be satisfied by only obtaining a representation. Paragraph 17 should be amended to clarify that the representation is only part of the overall process. The enquiries and questionnaire referred to in paragraph 16 will cover the issue of the quality control process.	No	The principle is that the group auditor should evaluate the professional qualifications, etc. of the other auditor – see ISA XXX.25  The representation is one source of information – the group auditor could also rely on the results of visits, questionnaires, prior experience, etc.
17.13	NIVRA	Paragraph 17 in the proposed revised ISA 600 states that the group auditor obtains a representation from the other auditor that their quality control process complies with ISQC 1. We believe that there is need for further direction from IAASB on the representation that is expected.	Part	(1) ISA XXX.33  (2) Section also deals with matters other than the

No.	Respondent	Respondent Comment	Process-	Task Force Comment / Reference
		<p>ISQC 1 establishes standards and guidance f90</p> <p>or a system of quality control that is self-monitoring and self-correcting. At any point in time, there may be deficiencies, which may or may not be significant and may be isolated or indicative of a more pervasive matter that needs to be addressed. The effectiveness of the system over time depends on having effective quality control procedures built into the audit process and monitoring processes that identify deficiencies and enables appropriate people in the firm to take appropriate action to address them. Having a deficiency at any point in time may not be indicative that the system of quality control is ineffective, nor should it imply that the firm is not complying with ISQC 1.</p> <p>We therefore suggest extending the guidance in the proposed revised ISA 600 to suggest that the other auditor should make the representation; that their firm is in compliance with ISQC 1, remedial action is taken promptly in relation to issues identified from the other auditor’s monitoring program, and there are no issues from the most recent monitoring program which have an impact on the audit of the component for which the other auditor is responsible.</p> <p>We recommend the proposed revised ISA 600 make reference to any publicly available reports regarding the quality control processes of the other auditor’s firm. In addition, we do not believe the opening language used in the paragraph is consistent with that used throughout the proposed revised ISA and suggest that it is amended as follows:</p> <p>17. <del>With regard to the quality control process of the other auditor’s firm, the</del> The group auditor should obtain a representation from the other auditor that their quality control process complies with the proposed ISQC 1, that remedial action is taken promptly in relation to issues identified in their monitoring program and that there are no issues from the most recent monitoring program which have an impact on the audit of the component for which the other auditor is responsible. The group auditor may also be able to obtain a representation from the body responsible for conducting the firm’s external quality assurance or inspection or, at a minimum, obtain a copy of the report of the latest inspection”.</p>		<p>quality control process – opening language of paragraph clarifies this</p>
17.14	IOSCO	<p>Paragraph 17 – revise to include the requirement “...the group auditor should obtain an understanding of the quality control process used by the other auditor through a written description of such other process as well as a representation that the process complies with ISQC 1.” We do not believe that the obligation to consider the quality control process</p>	Part	ISA XXX.33

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		can be satisfied by only obtaining a representation – the group auditor must have some other information that supports an understanding of the quality control system in place.		
		<p>Paragraph 18</p> <p>In the case of a related auditor, the group auditor ordinarily will be able to rely on common policies and procedures on recruitment, training, advancement, auditor independence, audit methodology and quality control. When the related auditor is not known to the group auditor, the group auditor may consider it necessary to make enquiries within the group auditor’s firm about the professional competence of the related auditor and the matters referred to in the previous sentence.</p>		ISA XXX.28-31
18.1	ICAI ASC	In relation to the recognition of a difference between related auditor and the other auditor, Paragraph 18 states that the group auditor ordinarily may be able to rely on common policies and procedures being operated throughout the group network of firms. The responsibility should fall on the primary auditor to ascertain the basis for reliance within a network. The question is the validity of the quality control processes employed by another auditor not whether they are part of an affiliated network. Within a common network, the basis for reliance could be more readily established, but does not provide grounds for complacency.	Yes	ISA XXX.29
18.2	AGV	<p>(1) We suggest that consideration be given to specifying that the representations be ‘written’.</p> <p>(2) In the interest of transparency and promoting audit independence, we recommend that when a related auditor is not known to the group auditor that the group auditor be obliged to apply the same processes and procedures in regard to assessing professional competence, qualifications etc as applied to other auditors.</p>	No	<p>(1) However, ISA XXX.33 states that the group auditor obtains a confirmation</p> <p>(2) However, see ISA XXX.31</p>
18.3	ICAEW	The current paragraph 18 requirement for the group auditor to make ‘enquiries’ about the related auditor is not adequate.	Yes	ISA XXX.25-31

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
18.4	JICPA	We propose that in paragraph 18 of ISA 600 “inquiry” be used instead of “enquiry”, which is not used in other ISAs such as paragraph 7 of ISA 910 “Engagements to review financial information”.	Yes	
18.5	ICAS	We believe that further guidance is required in paragraphs 15 to 18 in relation to what is expected of the group auditor in this respect.	Yes	Agenda Item 7-A, Appendix, paragraphs 5-7  ISA XXX.25-34
18.6	LSCA	<p>The standard is not sufficiently robust on the responsibilities of the principal auditor where there are related auditors and it applies different standards for related auditors from that of other auditors. While, pragmatically, most firms would treat related auditors differently from other auditors, the responsibility for this decision should be that of the principal auditor not of IAASB, nor dictated by the ISA itself.</p> <p>The draft differentiates between related auditors and other auditors, as it assumes that related auditors operate under common quality control policies and procedures as set out in ISQC 1. However, most, if not all, networks are made up of different practices, groupings, etc because of the legal necessity of maintaining sufficiently discrete groups. This can lead to differences in interpretation of quality standards in related firms and little control over their work. As a result, related auditors should not automatically be treated differently in the standard from other auditors. It should be a judgmental matter, left to the principal auditor, as to whether they are treated differently.</p> <p>If the standard required the evaluation of other auditors in paragraphs 15 to 18 to include related auditors, then a distinction need not be made between related and other auditors. This may be a pragmatic solution.</p>	Part	Agenda Item 7-A, Appendix, paragraphs 5-7  ISA XXX.25-31
18.7	IDW	<p>Furthermore, the work that the group auditor needs to do in relation to the professional qualifications, independence, professional competence, resources and quality control processes of the related auditor as described in paragraphs 15 to 18 of the Standard will have to be strengthened. In particular, in paragraph 15 the reference to the “other auditor”, under the nomenclature used in the Standard, would have to be changed to “a related or an other auditor”. We agree that the extent of the work that the group auditor needs to perform in relation to professional qualifications, independence, professional competence, resources and quality control processes for a related auditor may be considerably less than that for an other auditor, but some work may still need to be done (i.e., we do not agree with the</p>	Yes	ISA XXX.25-31

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		statement with respect to “ordinarily will be able to rely” in the first sentence of paragraph 18). For example, the related auditor that audits component financial statements may require appropriate industry experience.		
18.8	HKSA	The definition of related auditor in paragraph 7(h) only requires the group auditor and the related auditor to share common quality control procedures. Paragraph 18 refers to reliance on common procedures over a much wider range of matters as mentioned above. The definition in paragraph 7(h) needs to be updated to cover these factors or paragraph 18 should make it clear that before relying on common traits the group auditor needs to take steps to satisfy himself that these are in fact common.	Part	ISA XXX.7(k) and 28-31
18.9	KPMG	<ul style="list-style-type: none"> <li data-bbox="401 651 1556 1105">• Revise paragraph 18 as follows:  <u>In the case of a related auditor, The need for the group auditor to consider a related auditor’s professional qualifications, independence, professional competence and resources will be affected by whether the group auditor’s firm and the related auditor’s firm operate under other common quality control policies and procedures, in addition to common monitoring policies and procedures. For example, when a network firm is operating under common quality control policies and procedures and common methodology and, as discussed in ISA 220, the group auditor has not been informed by the firm that such procedures can not be relied on,</u> the group auditor ordinarily will be able to rely on common policies and procedures on recruitment, training, advancement, auditor independence, audit methodology and quality control. When the <u>group auditor and related auditor are operating under common monitoring polices and procedures but not necessarily other quality controls and the</u> related auditor is not known to the group auditor, the group auditor may consider it necessary to make enquiries within the group auditor’s firm about the professional competence of the related auditor and the matters referred to in the previous sentence.</li> <li data-bbox="401 1130 1556 1227">• Expand the acknowledgements and requirements to be obtained by the group auditor from the related auditor in paragraph 21 of the proposed ISA to include confirmation that the related auditor has complied with quality control policies and procedures applicable to his or her firm.</li> </ul>	Yes	ISA XXX.7(k), 28-31, 114(a)
18.20	IOSCO	Paragraph 18 – The definition of related auditor in paragraph 7(h) is unclear. The definition as now written only makes	Part	Agenda Item 7-A,

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>sense if the definition of a group auditor is referring to an individual person, not a group of persons or a firm. Is this the case? (See also our comment regarding paragraph 7 (c). In addition, this text only requires the group auditor and the related auditor to share common quality control procedures. Paragraph 18 refers to reliance on common procedures over a much wider range of matters. The definition of related auditor must be clarified, including the factors that must be present for an auditor to be considered a “related auditor”. Before relying on common traits, the group auditor needs to be assured or take steps to satisfy himself or herself that the traits are in fact common.</p>		<p>Appendix, paragraphs 5-7 ISA XXX.footnote 2 ISA XXX.25-31</p>
		<b>Access to Information</b>		
		<p>Paragraph 19</p> <p><b>Where the group auditor does not otherwise have a right to sufficient access to component information, component management or the related auditor or other auditor, including the related auditor’s or other auditor’s working papers, the group auditor should request group management to arrange with component management for the group auditor to have such access.</b> The group auditor does not expect to have greater access than group management to component information and component management.</p>		ISA XXX.19
19.1	ICAI ASC	<p>The line “The group auditor does not expect to have greater access than group management to component information and component management” surely the group auditor should have whatever access as is necessary, to formulate their opinion.</p>	Yes	
19.2	AGV	<p>We consider that this aspect of the exposure draft may have limited relevance in Australia. Section 323A of the <i>Corporations Act 2001</i> gives auditors of consolidated financial statements access to information about controlled entities. Section 323B of the <i>Corporations Act 2001</i> states that officers and directors of controlled entities are to provide assistance to the auditor of the consolidated financial statements. Generally, an Auditor-General’s enabling legislation provides broad powers of access to information as required for the purposes of undertaking his functions.</p>	Noted	
19.3	IRE Belgium	<p>Some additional guidance in paragraph 19, regarding the access to working papers with respect to the work of the other auditor, is necessary. Situations can occur where legal and/of professional impediments prevent any access to this information;</p>	Part	<p>Agenda Item 7-A, paragraphs 11-13</p>

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19.4	GT	The last sentence in this paragraph states: "The group auditor does not expect to have greater access than group management to component information and component management." We believe this statement should be stricken and or revised, as it contradicts the previous sentence and the subsequent paragraph. Group management should arrange with component management to provide the necessary access to the group auditor to ensure a scope limitation is not imposed. The necessary access should be provided regardless of whether group management has such access. When such access cannot be provided the group auditor must consider the impact of the scope limitation.	Yes	ISA XXX.19-23
19.5	NYSSCPA	In paragraph 19, when access to component information, component management, or the other auditor is limited or denied, there is indication of elevated risk, and the ethics and integrity of group and component management are brought into question. Considering the materiality of the component is not enough. When ethics are brought into question, nothing is immaterial.	No	Access to information is considered early in the process and, in the first instance, affects the group auditor's decision whether to accept / continue the engagement. If access is restricted subsequent to acceptance / continuance, ISA XXX.22 applies
19.6	Basel	(1) We are concerned that the last sentence of paragraph 19, which states that the group auditor does not expect to have greater access than group management to component information and component management, conveys a confusing and inappropriate message. The group auditor should expect to have access to all the information and explanations the group auditor needs to take sole responsibility for the audit opinion on the group financial statements. (2) Where the group auditor does not otherwise have a right to sufficient access, the group auditor should <i>require</i> (rather than merely <i>request</i> ) group management to secure appropriate access for the group auditor.	Part	(1) Sentence has been deleted  (2) The group auditor cannot require management to do something; however, should group management not do as requested, it will affect the group auditor's

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
				report / appointment
19.7	E&Y	Paragraph 19 refers to “sufficient” access to component information, component management or the related auditor or other auditor. It is unclear as to what is meant by “sufficient.” We would suggest either explaining sufficiency of access for its purpose or deleting the word sufficient from the black letter requirement.	Yes	ISA XXX.19
19.8	IOSCO	Paragraph 19 - The last sentence seems unclear or superfluous and should be clarified or deleted.	Yes	ISA XXX.19
		<p>Paragraph 20</p> <p>In some circumstances there may be restrictions on the group auditor’s access to component information, component management or the related auditors or other auditors, including their working papers, for example in the case of components that are accounted for by the equity method and to which the auditor does not have access. <b>When this difficulty cannot be resolved through group management or other means, the group auditor should consider the impact of this scope limitation on the auditor’s report on the group financial statements.</b></p>		ISA XXX.20-22
20.1	ICAEW	An inability to access working papers of other auditors is a common problem in the audit of groups. This issue affects paragraphs 9, 21, 27, and 31 of the ISA and a number of paragraphs in the IAPS. Access to working papers is essentially a legal issue that depends on the laws of the jurisdiction in which the auditor operates. Such laws cannot be overridden by the provisions of auditing standards and it would be helpful if the ISA recognized this. The ISA should provide guidance on the alternatives available to the group auditor where access to working papers is not possible, such as obtaining written responses to specific questions, obtaining specific information or obtaining a completed response to a questionnaire. The ISA should also contain provisions suggesting that other auditors should co-operate with group auditors and provide them with information that they may require for the purposes of the group audit. Guidance to other auditors on the need to consider the use of hold harmless letters, for example, and the need for client permission for such disclosures should be provided. All of these matters should be dealt with early on in the ISA at the acceptance and continuance stage in order to prevent difficulties arising later.	No	<p>Agenda Item 7-A, paragraphs 11-13</p> <p>The ISA contains standards and guidance for the group auditor and not for the other auditor</p> <p>Furthermore, setting a standard in the ISA for the other auditor to co-operation will not overcome legal provisions</p>

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
20.2	MS	<p>We recognize that there are privacy and confidentiality issues concerning access to information arising in certain jurisdictions. However we believe that paragraphs 19 and 20 of the ISA should be strengthened to obligate other auditors to co-operate with the group auditors to the extent permitted in the relevant jurisdiction(s) and with the co-operation of group and component management. If such co-operation is not forthcoming then the impact of this scope limitation would have to be considered as described in paragraph 20 of the ISA. Guidance should be included in the IAPS on the appropriate alternative procedures available to the group auditors should the necessary access not be forthcoming.</p>	Part	<p>Agenda Item 7-A, paragraphs 11-13</p> <p>The ISA contains standards and guidance for the group auditor and not for the other auditor</p> <p>Furthermore, setting a standard in the ISA for the other auditor to co-operation will not overcome legal provisions</p> <p>ISA XXX.21-22</p>
20.3	CICA	<p>(1) The guidance in these paragraphs should provide guidance similar to that in paragraphs 8 (e) and 9. Paragraph 9 implies that the group auditor can participate in the other auditor's work to resolve any insufficiencies caused, for example, by paragraph 8 (e). Paragraphs 19 and 20 imply that there could be a scope limitation where access to information is not sufficient.</p> <p>(2) Further, we believe that, whenever possible, black-lettered text should be self-standing – that is, when these words need to be quoted from the ISAs for various purposes, people will be able to read and understand them without necessarily having to refer to other text. For example, we suggest that the black-lettered text in paragraph 20 should be changed to read “When difficulties in obtaining appropriate access to component information cannot be resolved etc.”</p> <p>(3) The words “and to which the auditor does not have access” should be deleted from the sentence noted below:</p> <p>... in the case of components that are accounted for by the equity method <del>and to which the auditor does not have access.</del></p>	Part	<p>(1) ISA XXX.20 – refers to obtaining audit evidence by other means</p> <p>(2) Section redrafted and restructured</p> <p>(3) ISA XXX.20</p>

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
20.4	GT	This paragraph discusses the potential restriction on the group auditor's access to, for example, working papers. We suggest clarifying that the group auditor should consider performing procedures directly, if allowable, as a means of resolving the scope limitation.	No	ISA XXX.20 – refers to obtaining audit evidence by other means
20.5	Basel	Paragraph 20 states that when restrictions on the group auditor's access to information and explanations cannot be resolved, the group auditor should consider the impact of this scope limitation on the auditor's report on the group financial statements. We believe that the extent of these unresolved restrictions could be such as to make it inappropriate for the group auditor to continue with the engagement. Therefore, paragraph 20 should acknowledge that the group auditor may need to resign from the appointment in such circumstances. Conforming changes would also be needed for paragraphs 67 and 83 of the IAPS.	Yes	ISA XXX.21-22
20.6	HKSA	The mandatory procedure requires that when there are restrictions on the group auditor's access to component information, component management or related auditors or other auditors, including their working papers, and if this difficulty cannot be resolved through group management or other means, the group auditor should consider the impact of this scope limitation on the auditor's report on the group financial statements. We consider that this does not go far enough. This is because the group auditor should consider not only the impact of the scope limitation on the auditor's report but also whether the restrictions call into question the basis of preparation of the group financial statements. Failure by group management to procure sufficient access by the group auditor may indicate that there is insufficient control or influence for the entity to be considered as a subsidiary or an associated company under the financial reporting framework.	Yes	ISA XXX.20
20.7	IOSCO	(1) Paragraph 20 – What is intended by the standard in the case of equity investments in listed companies is unclear. Is it intended that the auditor should go beyond obtaining the audited financial statements of such public listed companies to calculate the per cent share of net income and equity attributable to the group owner? If so, what additional information should be obtained and why? It may be desirable to add at the end of the last sentence "...and whether or not it is possible to conduct the audit under such limitations."  (2) Paragraph 20 - Add a statement to the effect that "where the group auditor's access to component management or component information is limited, the group auditor should consider not only the impact of the scope limitation on the	Part	(1) Component is defined in ISA XXX.4(c) – i.e. an entity whose financial information is or should be included in the group financial statements (also see definition of "group

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		auditor's report but also whether the restrictions call into question the basis of preparation of the group financial statements. Failure by group management to procure sufficient access by the group auditor to conduct the audit may indicate that there is insufficient control or influence for the entity to be considered as a subsidiary or an associated company under the financial reporting framework, or that material control deficiencies exist."		financial statements") – additional clarify was not considered necessary  (2) ISA XXX.20

### Communications

Paragraph 21

**The group auditor should communicate to the related auditors and other auditors to provide them with the group auditor's requirements.** The group auditor's communication ordinarily is in the form of a letter of instruction, which sets out the scope of work to be performed by and the acknowledgements and confirmations to be obtained from the related auditors and other auditors. Such acknowledgements and confirmations include the following:

- An acknowledgement of receipt of the group auditor's letter of instruction, which includes advising the group auditor if the related auditor or other auditor cannot comply with specific instructions for any reason, or seeking clarification from the group auditor if the instructions are unclear.
- The related auditor or other auditor is aware that the component's financial information will be included in the group financial statements.
- The related auditor or other auditor has a sufficient understanding of and has complied with the IFAC *Code of Ethics for Professional Accountants*, including the independence requirements.
- The related auditor or other auditor has a sufficient understanding of the financial reporting framework and other statutory requirements applicable to the group financial statements.
- The related auditor or other auditor has a sufficient understanding of ISAs and national requirements applicable to the audit of the group financial statements, and will perform the work on the component's financial

ISA XXX.109-113

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>information in accordance therewith.</p> <ul style="list-style-type: none"> <li>In the case of an other auditor, an acknowledgement of the other auditor's understanding that the group auditor intends to consider and use the other auditor's work for purposes of the audit of the group financial statements.</li> </ul>		
21.1	ICAEW	Last bullet: insert 'whilst retaining responsibility for the audit opinion on the group financial statements and for obtaining sufficient appropriate evidence to support that opinion' between the words 'group auditor', and 'intends to consider'. This reassures the other auditors that they will not be treated as having responsibility for the group audit opinion.	No	No longer necessary as distinction between sole and divided responsibility has been deleted
21.2	PWC	We believe that the third and fourth bullet point in Paragraph 21 should be expanded to explain that the related or other auditors are only being asked to confirm to the group auditor that they have sufficient understanding of the ethical framework, and financial reporting framework applicable to the group financial statements, to be able to fulfill the responsibilities expected of them in the context of the group audit. In many circumstances, the related or other auditor may not have a comprehensive understanding of the group's financial reporting framework or the ethical framework relevant to the group audit, but receive sufficient and appropriate group instructions from group management or the group auditor to be able to provide the information the group auditor needs. The group auditor needs to understand the level of comprehension that the related or other auditor has, as it will influence the instructions the group auditor gives to the related or other auditor and may also influence the procedures the group auditor performs.	Yes	ISA XXX.110
21.3	LSCA	<p>(1) The 4th bullet requires the related or other auditors to have sufficient understanding of the financial reporting framework and other statutory requirements applicable to the group financial statements. This is not always necessary unless specifically required by the group auditor or the parent / subsidiary company. In many cases the auditor is reporting on the statutory accounts of the subsidiary under local requirements. The consolidation pack or equivalent may then specify what else is required. It is unrealistic to expect the auditor of a subsidiary company in, say, the UK, to have sufficient understanding of the financial reporting framework and the other statutory requirements in, say, China.</p> <p>(2) Taking these considerations into account, paragraph 21 should also include reference that the acknowledgements</p>	Part	(1) The other auditor is expected to have an understanding of the applicable financial reporting framework, i.e. sufficient to fulfill the other auditor's responsibilities in the context of the audit of the group financial

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>and confirmations should include the group auditor setting out under which financial reporting framework they expect the other auditor to report to them. If the other auditor is unfamiliar with the financial reporting framework then the group auditor will have to assess the impact of this on their audit.</p> <p>(3) The 5th bullet does not recognize that the related or other auditor is often the statutory auditor and has to comply with local requirements. Other work required by what is, presumably, the national standards of the parent company (as it is not specified which national standards the bullet is referring to) is normally performed in addition to the local work required.</p> <p>(4) The 6th bullet should apply to a related auditor as well. The requirement should also be rephrased, so that it does not give an appearance of a presumption of reliance by the group auditor. For example, it could be rephrased, "... intends to consider and, according to the group auditor's judgment, use the other ...". This is then elucidated by paragraphs 25 onwards.</p>		<p>statements – see ISA XXX.26</p> <p>(2) The other auditor is required to confirm his / her understanding of applicable financial reporting framework – ISA XXX.110(d). This should be sufficient for the other auditor to identify framework</p> <p>(3) ISA XXX.110(e) – “national standards as may apply to the audit of the group financial statements” should be sufficiently clear</p> <p>(4) ISA XXX.110(f) has been amended</p>
21.4	MAZARS	<p>The standard acknowledges that a group auditor’s relationship with a related auditor may well be different to that of another auditor.</p> <p>We agree that in practice the working relationship between the group auditor and a related auditor may be easier to manage. However we do not believe that the standard should assume less consideration is required in relation to professional qualifications, etc of a related auditor (para 15) or that an acknowledgement is not required of a related auditor that the group auditor intends to use the related auditor’s work (para 21). This decision should be taken by the group auditor at an assignment level, rather than set in a Standard.</p>	Yes	ISA XXX.110(f) has been amended

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
21.5	MAZARS	We do not believe the other auditor necessarily needs to have an understanding of the national audit requirements at group level. This is the responsibility of the group auditor who should also take responsibility for communicating any issues of relevant to the other auditor.	No	Work performed by the other auditor has to be performed in accordance with auditing standards that apply to the audit of the group financial statements
21.6	CICA	(1) Paragraph 21 should include guidance as to the timing of the communication to the related or other auditors. This communication should be issued prior to the commencement of the group audit.  (2) The last bullet of paragraph 21 should apply to a related auditor. An acknowledgement of the related auditor's understanding that the group auditor intends to consider and use the other auditor's work for purposes of the audit of the group statements should be required.	Part	(1) ISA XXX.110 – text that follows (f)  (2) ISA XXX.110(f) has been amended
21.7	RREGAL	In the first sentence of paragraph 21, “communicate to” should be “communicate with” as there will be two-way communication rather than one-way communication (at the very least the other auditor will need to communicate that he or she has understood the requirements). The second, third fourth and fifth bullet points should each be preceded by the word “That” to fit in grammatically with the sentence that introduces them. Also the third, fourth and fifth bullet points do not say what the other auditor's understanding should be sufficient for. For example, the fourth bullet point should say something to the effect of “That the related auditor or other auditor has a sufficient understanding of the financial reporting framework and other statutory requirements applicable to the group financial statements to enable the related auditor or other auditor to identify matters that need to be brought to the attention of the group auditor.”	Yes	
21.8	GT	The last bullet of this paragraph requires the group auditor to obtain an acknowledgment from an other unrelated auditor as to their understanding that the group auditor will consider and use his or her work for the audit of the group financial statements. We suggest that the IAASB clarify that such acknowledgment does not absolve the group auditor from his or her responsibilities to perform the necessary procedures to be able to opine on the group financial statements.	No	No longer necessary as distinction between sole and divided responsibility has been deleted

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
21.9	Basel	<p>(1) Paragraph 21 states that the group auditor should communicate to the related auditors and other auditors to provide them with the group auditor's requirements. It states that this communication "ordinarily is in the form of a letter of instruction." Paragraph 22 then states that the group auditor should obtain "written communication" regarding these requirements from the related or other auditor. The Standard should mandate that the group auditor's initial communication to the related or other auditors be in writing, especially since the response to this initial communication has to be in writing. This could be accomplished by revising the first (bold lettered) sentence of paragraph 21 to read "The group auditor should provide the related auditors and other auditors the group auditor's requirements in writing."</p> <p>(2) The final bullet point of paragraph 21 of ISA 600 on the content of the group auditor's letter of instruction applies only to an "other auditor." It addresses the other auditor's acknowledgement of their understanding that the group auditor intends to consider and use their work for the purposes of the audit of the group financial statements. Appendix 2 of the proposed IAPS illustrates examples of matters to be included in the group auditor's letter of instruction. The final bullet under the list of "Required Acknowledgements and Confirmations" in Appendix 2 is "an acknowledgement that the group auditor intends to consider and use the related auditor's or other auditor's work for purposes of the audit of the group financial statements." Thus, there is an apparent conflict between this bullet in Appendix 2 of the proposed IAPS and the final bullet of paragraph 21 of ISA 600. We recommend that the final bullet of paragraph 21 of ISA 600 be revised to cover both related auditors and other auditors.</p>	Part	<p>(1) The principle is that the group auditor should communicate with the other auditor – ISA XXX.109 – the form of communication may vary, but ordinarily is in the form of a letter of instruction</p> <p>(2) ISA XXX.110(f) has been amended</p>
21.10	HKSA	<p>The mandatory procedure requires the group auditor to communicate to the related auditors and other auditors to provide them with the group auditor's requirements and the guidance mentions that in the case of an other auditor, an acknowledgement of the other auditor's understanding that the group auditor intends to consider and use the other auditor's work for purposes of the audit of the group financial statements be obtained. We question why the acknowledgement that the group auditor will rely on the work of the other auditor is not obtained from related auditors.</p>	Yes	<p>ISA XXX.110(f) has been amended</p>
21.11	NIVRA	<p>We believe that the third and fourth bullet point in Paragraph 21 should be expanded to explain that the related or other auditors are only being asked to confirm to the group auditor that they have sufficient understanding of the ethical framework, and financial reporting framework applicable to the group financial statements, to be able to fulfill the responsibilities expected of them in the context of the group audit. In many circumstances, the related or other auditor</p>	Yes	<p>ISA XXX.110</p>

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		<p>may not have a comprehensive understanding of the group’s financial reporting framework or the ethical framework relevant to the group audit, but receive sufficient and appropriate group instructions from group management or the group auditor to be able to provide the information the group auditor needs. The group auditor needs to understand the level of comprehension that the related or other auditor has, as it will influence the instructions the group auditor gives to the related or other auditor and may also influence the procedures the group auditor performs.</p>		
21.12	IOSCO	<p>Paragraph 21 – add in the middle of the second sentence “... sets out the scope of work to be performed by each auditor, the timing for procedures to be performed, and the documentation to be supplied to the group auditor, as well as the acknowledgements and confirmations... etc.” (as in the remainder of the sentence.) Also, we question why the acknowledgement that the group auditor will rely on the work of the other auditor is not obtained from “related auditors” as well as “other auditors”.</p> <p>Paragraph 21 should also include the need to include other auditors in the discussions about the entity and audit risk matters, and/or to inform them about the results of such discussions.</p>	Part	ISA XXX.109-114 – section was redrafted and restructured
		<p>Paragraph 22</p> <p><b>The group auditor should obtain written communications regarding the group auditor’s requirements from the related auditor and other auditor.</b> The communications from the related auditor or other auditor include the acknowledgements and confirmations referred to in paragraph 21, which are obtained before the related auditor or other auditor commences the work on the component’s financial information, and a report or a memorandum at the date of completion of the work on the component’s financial information that:</p> <ul style="list-style-type: none"> <li>(a) Identifies the component’s financial information on which the related auditor or other auditor is reporting;</li> <li>(b) Sets out the scope of work performed by the related auditor or other auditor;</li> <li>(c) Confirms compliance with the group auditor’s instructions;</li> <li>(d) Sets out the related auditor’s or other auditor’s findings, conclusions or opinion; and</li> <li>(e) Lists identified uncorrected misstatements of the component’s financial information. The list does not include</li> </ul>		ISA XXX.114

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		misstatements that were not corrected because they are below the threshold set by the group auditor for clearly inconsequential misstatements.		
22.1	FSR ASC	Paragraph 22 introduces a new materiality threshold – “clearly inconsequential” “uncorrected misstatements” that a related or an other auditor does not have to communicate to the group auditor. To be sure, a reference to the fact that an exact threshold should be communicated from the group auditor would be helpful, although this statement is made in the IAPS paragraph 31.	Yes	ISA XXX.111(b)
22.2	ICAI ASC	Paragraph 22(e) and Paragraph 33, clarity required in relation to misstatements and inconsequential misstatements Also, does Paragraph 22(e) include incorrect misstatements that were immaterial to the components financial statements but may be material when aggregated with uncorrected immaterial misstatements of other components financial information.	No	The concept of clearly inconsequential misstatements is dealt with in proposed ISA 320 (Revised) – see Agenda Item 9-A (footnote 5) See ISA XXX.114(f)
22.3	ICAEW	Paragraph 21 of the ISA and paragraph 19 of the IAPS refer to the need for related and other auditors to understand the group reporting framework. In practice, where there are a large number of very small subsidiaries, the time and cost implications of these requirements outweigh their benefits. These paragraphs should recognize that auditors of components that are not material to the financial statements, either individually or in aggregate, and present no risk to the group financial statements may not require a highly detailed understanding of group reporting issues.	No	The other auditor is required to have an understanding of the applicable financial reporting framework sufficient to fulfill his / her responsibilities in the context of the audit of the group financial statements. Very small (insignificant) subsidiaries and the scope of work to be performed on

No.	Respondent	Respondent Comment	Process- ed	Task Force Comment / Reference
22.4	CGA	<p>Paragraph 22 (e) discusses the assurances that the group auditor should get from the related or other auditor. The last sentence in clause (e) states that the list does not include misstatements that were not corrected because they are below the threshold set by the group auditor for clearly inconsequential misstatements.</p> <p>The group auditor should also obtain assurance from the related or other auditor that the unreported below threshold uncorrected misstatements do not aggregate to an amount that would be material or, if they were aggregated with the reported known and most likely errors, the total of the errors would not exceed materiality.</p>	No	<p>their financial information are dealt with in ISA XXX.63 – in most instances analytical review procedures will be performed at group level</p> <p>The concept of clearly inconsequential misstatements is dealt with in proposed ISA 320 (Revised) – see Agenda Item 9-A (footnote 5)</p>
22.5	PWC	<p>(1) We believe that Paragraph 22 would be more comprehensive if it incorporated the process outlined in Paragraph 37(d) relating to the review of matters affecting the elimination of inter-component transactions and the communication with the other auditor in this regard. This could be achieved by including the additional information in a new sub-section as follows: 22. [...]</p> <p><u>(f) records any matters affecting the elimination of inter-component transactions and accounts, and the uniformity of accounting policies among the components included in the group financial statements.</u></p> <p>(2) Furthermore, we recommend removing the second sentence in Paragraph 22(e). We believe the guidance is inconsistent with ISA 320, “Audit Materiality”, which states that the [group] auditor has responsibility to assess whether the <u>aggregate</u> of uncorrected misstatements that have been identified during the audit is material. The group auditor will be unable to make that assessment if any communication on the identified uncorrected misstatements does not include those <i>‘below the threshold set by the group auditor’</i>. In addition, this sentence may be misinterpreted to suggest that the communication of unadjusted errors to the group auditor, by the other auditor, occurs at the completion stage of the audit, (which would be impracticable in some circumstances).</p>	Part	<p>(1) These matters should be dealt with in the financial information submitted by the component to the parent – material misstatements will be reflected in the other auditor’s report / memorandum</p> <p>(2) The concept of clearly inconsequential misstatements is dealt with in proposed ISA 320 (Revised) – see Agenda</p>

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		<p>(3) With regard to the second sentence in Paragraph 22 and the guidance in Appendix 2 of the proposed IAPS, it is not always practicable for the initial communication and acknowledgement to be sent and received prior to the other auditor or related auditor commencing work on the component's financial information. We recommend that the term "whenever possible" is included in the sentence to accept the practical difficulties that can arise, as follows:</p> <p><i>"The communications from the related auditor or other auditor include the acknowledgements and confirmations referred to in Paragraph 21, which are, <u>whenever possible</u>, obtained before the related auditor or other auditor..."</i></p> <p>(4) We recommend including additional guidance in Paragraph 22(d), or in the IAPS to support this sentence. Currently there is no guidance in the proposed revised ISA 600 of what is contemplated for the report or memorandum that sets out the related or other auditor's "findings, conclusions and opinion".</p>		<p>Item 9-A (footnote 5)</p> <p>(3) ISA XXX.110 – text that follows (f)</p> <p>(4) The presentation of the other auditor's findings depends on the group auditors instructions, including the scope of work performed – it was not considered necessary to be more specific in this regard</p>
22.6	IRE Belgium	Paragraph 22 of ISA-600 refers to the group auditor obtaining written communications from the related auditor and the other auditor. The Board is of the opinion that in some cases, the related auditor or the other auditor may be prohibited by law to communicate in this way to the group auditor (confidentiality issues), and asks the IAASB to provide more guidance on the matter;	No	ISA XXX.19-23 – deals with access to information  Agenda Item 7-A, paragraphs 11-13
22.7	CICA	The black-lettered first sentence of paragraph 22 seems too vague to provide meaningful guidance. For this sentence to have substance, it needs to set out key aspects of the expected content, and timing, of the communications. We suggest that strong consideration be given to black-lettering much of the grey text in this paragraph, perhaps in a more summarized form.	No	ISA XXX.109 contains redrafted principle (bold text) – this principle should be read in the context of the redrafted section, i.e. ISA XXX.110-114
22.8	GCPAS	(1) In paragraph 22 of the proposed standard the Group Auditor will be enforced to obtain written communications on the work performed on the component's financial statements by the Related Auditor or Other Auditor. Furthermore, the standard lists some requirements for such written communications [paragraph 22 (a)-(e)]. In order to achieve a	No	(1) ISA XXX do not prescribed the use of "short form" reports or prohibit the

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		<p>structured and uniformed presentation of such written communications, we would propose to implement on an international level the so called “Long Form Auditor’s Report” which is in Germany – in addition to the “Short Form Auditor’s Report” – required by law (Sec. 321 German Commercial Code – Prüfungsbericht) and in detail described in the German National Auditing Standard IDW PS 450 Grundsätze ordnungsmäßiger Berichterstattung bei Abschlussprüfungen [Generally Accepted Standards for the Long Form Auditor’s Report] issued by the IFAC member organization IDW – Institut der Wirtschaftsprüfer in Deutschland e.V. (www.idw.de). In this case, the Related Auditor or Other Auditor could provide the solely responsible Group Auditor with the “Long Form Auditor’s Report”. The detailed information included in the “Long Form Auditor’s Report” would enhance the ability of the Group Auditor to apply his professional judgment on how to consider the work of the Related Auditor or Other Auditor. The German “Long Form Auditor’s Report” is much more detailed and structured than the so called “Auditor’s Opinion on Reporting Packages” widely used and individually designed in content and length in the international audit practice. Implementing a “Long Form Auditor’s Report” – such as the German one – on an international level (preferable by issuing a new respective ISA) would, therefore, enhance the current reporting procedures and promote consistent practices by auditors worldwide.</p> <p>(2) According to paragraph 22 (e) of the proposed standard the Group Auditor should receive a list identifying “uncorrected misstatements” of the components financial statements. The list, however, does not include those items regarded to be “clearly inconsequential misstatements”.</p> <p>We believe that the second sentence in this paragraph 22 (e) should be deleted. The Group Auditor should be provided with all information and evidence incurred during the audit of all components. Only under those circumstances he could determine with his own professional judgment whether the group financial statements are presented fairly in all material respects.</p> <p>By eliminating the second sentence, possible conflict areas (i.e. the determination of “inconsequential” misstatements) are reduced. Furthermore, only the Group Auditor can determine at group level whether in total all “inconsequential” misstatements are still immaterial from a group perspective.</p> <p>(3) Instead, we would recommend to add the following sentence to paragraph 22 (e) in order to clarify the meaning of</p>		<p>use of “long form” reports – the nature, timing and extent of the communications are matters of professional judgment</p> <p>At minimum the other auditor’s report / memorandum contains the matters referred to in redrafted ISA XXX.114</p> <p>(2) / (4) The concept of clearly inconsequential misstatements is dealt with in proposed ISA 320 (Revised) – see Agenda Item 9-A (footnote 5)</p> <p>These misstatements are so small that, even when aggregated with clearly inconsequential misstatements in other components, they are unlikely to materially misstate the group financial statements</p>

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		<p>“uncorrected misstatements”:</p> <p>“Uncorrected misstatements” include all adjusting journal entries with effect on the income statement as well as all mere reclassifying journal entries (either with effect on the balance sheet or on the income statement), which were identified by the auditor during the audit but not recorded in the financial statements of the respective component.</p> <p>(4) At least, we believe that the term “clearly inconsequential misstatements” as stated in paragraph 22(e) needs to be defined in order to avoid that the Related Auditor or the Other Auditor can independently decide whether to report certain misstatements to the Group Auditor or not. The concept of materiality correctly considers, that the sum of many “clearly inconsequential misstatements” can be (e.g. aggregated with uncorrected immaterial misstatements of other component’s financial information as stated in paragraph 33) material to the group financial statements. The Group Auditor, therefore, should be provided with all identified misstatements in order to apply his professional judgment on the level of the group financial statements.</p> <p>We believe that the wording in paragraph 22 (e) in connection with paragraph 33 of the proposed standard are for example not consistent with the wording in paragraph 6 of ISA 320 Audit Materiality. The distinction between “clearly inconsequential misstatements” (paragraph 22 (e) of the proposed standard) and “relatively small amounts” (paragraph 6 ISA 320) is not defined in the proposed standard. Hence, we see the risk that the application of both standards will not be consistent.</p> <p>In addition, paragraph 31 of the proposed IAPS states that the group auditor also communicates a threshold below which misstatements are regarded as clearly inconsequential and, as a result, need not be communicated to the Group Auditor, does not resolve the aforementioned problem: The sum of inconsequential misstatements can exceed the defined threshold and the Group Auditor should be informed accordingly.</p>		(3) ISA XXX.83
22.9	RREGAL	<p>The second sentence of paragraph 22 is difficult to comprehend. It should be rewritten as follows.</p> <p>The communications from the related auditor or other auditor include the acknowledgements and confirmations referred to in paragraph 21 and a report on the work that the related auditor or other auditor has carried out. The communications referred to in paragraph 21 are obtained before the related auditor or other auditor commences work on the components financial information. The report on the work carried out is obtained at the date of conclusion of the</p>	Yes	ISA XXX.109-114 – section redrafted and restructured

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		work of the components financial information and...		
22.10	SAICA	The group auditor is required to obtain ‘written communications’ from other auditors or related auditors. It is suggested that the term ‘communications’ be changed to ‘responses’ as the group auditor seeks a written response (reply, answer, reaction) from the other auditor or related auditor.	Yes	ISA XXX.109-114 – section redrafted and restructured
22.11	NYSSCPA	The ‘identified uncorrected misstatements’ referenced in paragraphs 22 and 33, whether material or not, raise concerns about internal control over financial reporting and cooperation by group and component management.	No	Agreed; however, this is not unique to the audit of group financial statements
22.12	NIVRA	We believe that Paragraph 22 would be more comprehensive if it incorporated the process outlined in Paragraph 37(d) relating to the review of matters affecting the elimination of inter-component transactions and the communication with the other auditor in this regard. This could be achieved by including the additional information in a new sub-section as follows:  22. [...] <p><u>(f) records any matters affecting the elimination of inter-component transactions and accounts, and the uniformity of accounting policies among the components included in the group financial statements.</u></p> <p>Furthermore, we recommend removing the second sentence in Paragraph 22(e). We believe the guidance is inconsistent with ISA 320, “Audit Materiality”, which states that the [group] auditor has responsibility to assess whether the <u>aggregate</u> of uncorrected misstatements that have been identified during the audit is material. The group auditor will be unable to make that assessment if any communication on the identified uncorrected misstatements does not include those ‘below the threshold set by the group auditor’. In addition, this sentence may be misinterpreted to suggest that the communication of unadjusted errors to the group auditor, by the other auditor, occurs at the completion stage of the audit, (which would be impracticable in some circumstances).</p> <p>With regard to the second sentence in Paragraph 22 and the guidance in Appendix 2 of the proposed IAPS, it is not always practicable for the initial communication and acknowledgement to be sent and received prior to the other auditor or related auditor commencing work on the component’s financial information. We recommend that the term</p>	Part	<p>(1) These matters should be dealt with in the financial information submitted by the component to the parent – material misstatements will be reflected in the other auditor’s report / memorandum</p> <p>(2) The concept of clearly inconsequential misstatements is dealt with in proposed ISA 320 (Revised) – see Agenda Item 9-A (footnote 5)</p> <p>(3) ISA XXX.110 – text that follows (f)</p> <p>(4) The presentation of the other auditor’s findings</p>

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		<p>“whenever possible” is included in the sentence to accept the practical difficulties that can arise, as follows:</p> <p><i>“The communications from the related auditor or other auditor include the acknowledgements and confirmations referred to in Paragraph 21, which are, <u>whenever possible</u>, obtained before the related auditor or other auditor...”</i></p> <p>We recommend including additional guidance in Paragraph 22(d), or in the IAPS to support this sentence. Currently there is no guidance in the proposed revised ISA 600 of what is contemplated for the report or memorandum that sets out the related or other auditor’s “findings, conclusions and opinion”.</p>		depends on the group auditors instructions, including the scope of work performed – it was not considered necessary to be more specific in this regard
22.13	IOSCO	<p>Paragraph 22 (d) add “and any documentation necessary to support such audit work”</p> <p>Paragraph 23</p> <p>The nature, timing and extent of the communications between the group auditor and the related auditor and other auditor are matters of professional judgment and may be impacted by factors such as whether the communication is with a related auditor and the scope of work to be performed on the component’s financial information.</p>	No	Paragraph deleted
23.1	IOSCO	<p>Paragraph 23 - This is a somewhat vague and general statement. If it is retained, it needs to be laid out more clearly and/or supplemented with some illustrations or examples of what is being alluded to.</p> <p>Paragraph 24</p> <p>The communications of the related auditor or other auditor ordinarily are addressed to the group auditor and not intended for distribution to third parties.</p>	Yes	Paragraph deleted
24.1	CNCC	<p>Paragraph 24 states that “the communication of the related auditor or other auditor ordinarily are addressed to the group auditor and not intended for distribution to third parties”. The French Institutes consider that it is important to clarify whether the expression “third parties” includes or not the management of the audit client. Group management is generally very interested in the findings of the related or other auditors on the component’s financial information. If the group auditor were to be precluded from communicating such findings (i.e. interoffice memoranda) to group management, this would create a significant change in practice that needs to be highlighted to both auditors and their</p>	NA	Paragraph deleted

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		clients.		
24.2	CICA	See editorial change below:  24. The communications of the related auditor or other auditor ordinarily are addressed to the group auditor and <u>include a paragraph that they are</u> not intended for distribution to third parties.	NA	Paragraph deleted
24.3	NYSSCPA	Paragraph 24 states that the other auditor’s communications ‘ordinarily’ are addressed to the group auditor and not intended for distribution to third parties. This wording could be improved by adding “unless distribution of specific communications to specified third parties were communicated to the other auditor pursuant to paragraph 21.”	NA	Paragraph deleted
<b>Determining the Adequacy of the Related Auditor’s or Other Auditor’s Work</b>				
		Paragraph 25  <b>The group auditor should determine whether the work of the related auditor or other auditor is adequate for the group auditor’s purposes, in the context of the audit of the group financial statements.</b>		ISA XXX.88
25.1	ICAEW	This paragraph should be stronger: the group auditor should obtain sufficient appropriate audit evidence that the work of the related or other auditor is adequate (not merely ‘determine’ whether the work is adequate).	Yes	ISA XXX.88
25.2	CICA	This paragraph seems to require clarification. As outlined earlier in the draft standard, the group auditor would have made an assessment regarding whether it would be appropriate to use the work of other auditors. In making the determination regarding the adequacy of work described in paragraph 25, the group auditor would presumably be referring back to those planning decisions, as well as to matters that have arisen that were not anticipated in planning. As it is currently described, the auditor seems to be making this determination in isolation of planning decisions/assessment and other information, which does not seem to be an accurate and complete description of what should be done.	No	Covered in ISA XXX.89 (paragraph 26 of ED-600 – see below)
25.3	NYSSCPA	In paragraphs 25 and 31, the word ‘should’ may have different interpretations when the IAS is translated and should be replaced with the word ‘must.’ Also in paragraph 31, the wording indicates that the group auditor has an option	Part	“Must” is not used in ISAs.

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		whether to refer to the circumstances surrounding the group auditor's inability to obtain sufficient appropriate audit evidence. If not referencing these circumstances is not an option then 'may' should be replaced with 'must.'		ISA XXX.100
		<p>Paragraph 26</p> <p>The nature, timing and extent of the group auditor's procedures to determine the adequacy of the related auditor's or other auditor's work are matters of professional judgment and may be impacted by factors such as the following:</p> <ul style="list-style-type: none"> <li>• The individual financial significance of the component.</li> <li>• Whether the component has been identified at group level as likely to include significant risks of material misstatement of the group financial statements, and the nature of the significant risks, for example risks of fraud.</li> <li>• Matters that came to the group auditor's attention during the audit of the group financial statements.</li> <li>• Previous experience with the related auditor or other auditor, and the group auditor's evaluation of the professional qualifications, independence, professional competence and resources of the other auditor, and of the quality control process of the other auditor's firm.</li> <li>• The extent of the group auditor's participation in the work of the other auditor.</li> </ul>		ISA XXX.89
26.1	CICA	See comments under paragraph 12 above. There is no guidance to indicate how individual financial significance should be determined. Guidance on this should be provided.	Yes	ISA XXX.9
26.2	GT	As stated previously, we believe the group auditor's procedures should be substantially enhanced when he or she takes sole responsibility for the group financial statements. In such situations, it should be clearly articulated that the group auditor (and related auditor) is not relying on the other auditor's work to opine on the group financial statements. He or she is merely using the other auditor's work to alter the nature, timing, and extent of the work that he or she must perform directly. Depending on the risk of material misstatement and the magnitude of the portion audited by the other auditor (and certain other matters listed in paragraph 26 of proposed revised ISA 600), the group auditor determines the procedures that he or she must perform directly to obtain sufficient appropriate audit evidence regarding the group	Yes	Agenda Item 7-A, Appendix, paragraphs 11-13  ISA XXX.69-76 – involvement in the work of other auditors  ISA XXX.88-95 – determining adequacy of

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>financial statements. With respect to the work performed by other auditors, such evidence could be obtained by obtaining the necessary acknowledgments and confirmations, reviewing the work performed by the other auditor, making appropriate inquiries and participating in meetings, reperforming some of the procedures performed by the other auditor, and performing procedures at the group and component directly.</p> <p>Accordingly, when the group auditor takes sole responsibility, he or she must be significantly involved with the audit of the group financial statements, including the work performed by the other auditor. As such, we recommend that the proposed revised ISA 600 clarify the concepts discussed in the preceding paragraph.</p>		other auditors' work
26.3	IDW	<p>In line with our general comments, we suggest that the second bullet point be changed as follows: "...at group level as having a greater than acceptably low level of risk of including significant risk of material misstatement of the group financial statements, and..."</p>	No	<p>Terms discussed by the IAASB before approval of the exposure draft. At the time, the IAASB agreed not to accept the proposal</p> <p>ISA XXX.90-94</p>
		<p>Paragraph 27</p> <p>Where the group auditor does not participate to a significant extent in the work performed by other auditors on the financial information of components that are of individual financial significance or of components that have been identified at group level as likely to include significant risks of material misstatement of the group financial statements (see paragraphs 9 and 12), the group auditor reviews, or requires a related auditor to review, the other auditor's working papers. In the case of components that are likely to include significant risks of material misstatement, the group auditor focuses the review on the working papers relevant to the significant risks. For other components, or components on which related auditors performed work, the group auditor may consider it appropriate to limit the procedures to a consideration of the communications of the related auditors or other auditors (see paragraph 22).</p>		
27.1	ICAI ASC	<p>Would be useful to have some guidance as to what constitutes "individual financial significance."</p>	Yes	ISA XXX.9
27.2	ICA EW	<p>The draft ISA suggests that where the group auditor does not participate to a significant extent in the work of other</p>	No	Overall, the respondents

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>auditors on the financial statements of certain types of component, the group auditor or a related auditor ‘reviews’ the working papers of the other auditor (paragraph 27). Three issues arise from this</p> <ul style="list-style-type: none"> <li>• The wording of this grey type text is likely to be interpreted by many regulators as a de facto mandatory requirement</li> <li>• The scope of such reviews is not clear and may involve unnecessary duplication of reviews already performed by other auditors</li> <li>• There are often legal and professional impediments to such reviews, such as European data protection legislation and professional confidentiality requirements, as well as language problems.</li> </ul> <p>We suggest that the ISA should recognize that judgment should be applied in determining whether a review is required, and the nature and extent of any such review, and that there may be other procedures that group auditors can apply to satisfy themselves as to the quality of the work performed by the other auditor.</p>		<p>requested the IAASB to strengthen the procedures the group auditor performs in relation to the work of the other auditors – see Agenda Item 7-A, Appendix, paragraphs 11-13 and redrafted and restructured section, ISA XXX.88-95</p> <p>Also see Agenda Item 7-A, paragraphs 11-13 for the task force’s considerations of restrictions on access</p>

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
27.3	FEE	<p>(1) The bold-lettered requirement in paragraph 25 is that the group auditor should determine whether the work of the related auditor or other auditor is adequate for the group auditor's purposes in the context of the audit of the group financial statements. However, the guidance in paragraph 27 requiring the group or related auditor to review the other auditor's working papers is written in the present tense – i.e. an expectation that this is an appropriate interpretation of the bold-lettered principle.</p> <p>FEE recommends that the guidance be less definitive on the need always to review the other auditor's working papers in the circumstances identified. At a minimum, the nature and extent of the review of working papers should be acknowledged to be based on judgment – it is unlikely to need to be as comprehensive as the group auditor's review of the engagement team's working papers if the work of the other auditor at the component has already been through a review process by the other auditor. It should also be recognized that there may be a range of other procedures the auditor can perform to obtain sufficient comfort with respect to the work of the other auditor that might not require detailed access to working papers. There may also be legal and professional impediments to access of information and language issues that could make this requirement impracticable.</p> <p>(2) Paragraph 27 permits the group auditor to require a related auditor to perform the review of the work performed by the other auditor. If this related auditor is otherwise not involved in the audit of group financial statements, he may not have been subject to the considerations set out in the preceding paragraph 18. This issue may need to be specifically addressed.</p>	No	<p>(1) See response 27.2</p> <p>(2) ISA XXX.25-35 does not distinguish the type of work to be performed by the other auditor – a related auditor conducting a review of an unrelated auditor's audit documentation will be covered in this evaluation</p>
27.4	PWC	<p>The bold-lettered requirement in Paragraph 25 of the proposed revised ISA 600 states that the “<i>group auditor should determine whether the work of the related auditor or other auditor is adequate for the group auditor's purposes in the context of the audit of the group financial statements</i>”. We interpret this paragraph as suggesting that the nature and extent of the review of working papers should be based on judgment.</p> <p>Yet, the guidance in Paragraph 27 goes beyond the bold-lettered principle as it is quite definitive; suggesting that where the group auditor does not participate in the work performed by other auditors on significant financial components then the group auditor should review, or request that the related auditor review, the other auditor's working papers. Whether a review of all the working papers is necessary, and the nature and extent of any review,</p>	No	See response 27.2

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		depends on the circumstances, including other procedures the group auditor may have performed to be satisfied with respect to the quality of the work performed by the other auditor. Accordingly we suggest that the guidance should be less definitive on the need to review all of the other auditor's working papers in the circumstances identified and instead the guidance should be expanded to recognize the range of procedures that might be performed, in addition to a review of the relevant working papers, to obtain evidence with respect to the adequacy of another auditor's work for the group auditor's purposes.		
27.5	LSCA	The review by the group auditor should be left to the judgment of the auditor as to whether one is required. Therefore, it should be phrased as consider reviewing. The exhortation should also apply to related auditors. It is equally valid to consider reviewing their working papers even though it is more likely the consideration will be that it is not required.	No	See response 27.2
27.6	IRE Belgium	Paragraph 27 of ISA-600 provides guidance on the review by the group auditor of the work performed by the other auditors. The Board is of the opinion that, indeed, the group auditor reviews or requires a related auditor to review, but the extent of the review should be subject to the professional judgment of the group auditor;	No	See response 27.2
27.7	CICA	Paragraph 27 seems confusing because it deals with circumstances in which related auditors and other auditors get involved but not for the same reasons. This confusion could be eliminated by dividing paragraph 27 into two paragraphs. The first paragraph could deal with components where other auditors perform the work. The second paragraph could deal with components where related auditors perform the work.  See editorial changes below:  In the case of components that are likely to include significant risks of material misstatement, the group auditor <u>or related auditor</u> focuses the review on the working papers relevant to the significant risks.	Yes	ISA XXX.88-95 redrafted and restructured
27.8	GT	(1) In addition, paragraph 27 describes a situation where the group auditor does not significantly participate in the work performed by other auditors on components that are of individual financial significance or have been identified at the group level as likely to include significant risks. In such circumstances, the group auditor (or related auditor) is required to review the other auditor's working papers and focus that review on the significant risks. We believe that proposed revised ISA 600 should require the group auditor to be significantly involved in the work performed by the other auditor when components are individually significant or include significant risks. The group auditor's	Yes	Agenda Item 7-A, Appendix, paragraphs 10-13  ISA XXX.69-76

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>participation should include performing procedures directly at the component, in addition to performing some or all of the procedures discussed in paragraph 9 (as discussed above). Performing procedures directly could include reperforming some of the procedures performed by the other auditor. In any event, a group auditor or related auditor merely reviewing the other auditors' work papers is not sufficient for the group auditor to portray that he or she has sole responsibility for the audit of the group financial statements.</p> <p>In regards to the proposed new IAPS, we suggest that the IAASB carefully consider whether matters discussed in the IAPS should be included within the proposed revised ISA 600 and to ensure that the proposed new IAPS does not provide conflicting guidance with respect to the proposed revised ISA 600. For instance, paragraph 34 of the proposed new IAPS discusses procedures when components are of individual financial significance or have been identified at the group level as likely to include significant risks of material misstatement. In such circumstances, the group auditor may consider inquiring of component management and the related auditors or other auditors and visiting the components. On the other hand, paragraph 27 of proposed revised ISA 600 requires the group auditor to review the other auditor's working papers when the group auditor does not significantly participate in the work performed by the other auditor. We believe that the concepts within these two paragraphs should be combined to ensure that the group auditor, related auditors, and other auditors fully understand their respective responsibilities. Also refer to our comments in Appendix A.</p>		
27.9	GT	<p>We suggest the following revision to the second sentence in this paragraph: "In the case of components that are likely to include significant risks of material misstatement, the group auditor, <b>or related auditor</b>, focuses the review on the working papers relevant to significant risks." Further, additional clarification with respect to the last sentence is necessary to clarify the auditor's responsibilities with respect to "other components" including those on which a related auditor performed work.</p>	Yes	ISA XXX.88-95 redrafted and restructured
27.10	APB	<p>The last sentence of paragraph 27 of the proposed revised ISA states that, for components [that are of individual financial significance or have been identified as likely to include significant risks of material misstatement] on which related auditors performed work, the group auditor may consider it appropriate to limit the [review] procedures to a consideration of the communications [regarding the group auditor's requirements] of the related auditors. The APB</p>	Yes	<p>ISA XXX.88-95 redrafted and restructured</p> <p>Also see ISA XXX.69-.76 dealing with the group</p>

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>believes that this is an area to which the IAASB needs to given more consideration.</p> <p>The definition of a “related auditor” extends to all firms “operating under common quality control policies and procedures ... as described by ISQC 1”. The APB welcomes the reference to common quality control policies and procedures but does not believe that this is an adequate basis for allowing the group auditor to adopt a “hands off” approach on significant parts of the group audit.</p> <p>The APB believes that the scope of the group auditor’s review of the results of audit procedures for components that are of individual financial significance, or have been identified as likely to include significant risks of material misstatement, should be more rigorous than merely a review of communications from a related auditor. In some circumstances (e.g. where in reality the group auditor has little knowledge of the quality of work of the related auditor) it will be necessary for the group auditor to review working papers of the related auditor.</p>		auditor’s involvement in the other auditors’ work
27.11	IDW	<p>We are particularly concerned with the suggestion in paragraph 27 that the group auditor need only review the work of other auditors where there are significant risks. Furthermore, we disagree that a review of working papers is necessary in every case. In our view, the extent to which a group auditor decides to review the work of a related or other auditor depends upon the group auditor’s assessment of risk. The group auditor may decide that, based upon the group auditor’s risk assessment, it may be appropriate to rely on a related auditor’s common quality control policies and procedures and therefore to keep review procedures to a minimum, which may imply no review of working papers at all. In some circumstances, based upon the group auditor’s assessment of risk, the group auditor may decide that a review of the other auditor’s working papers may not be necessary. In any case, if the group auditor believes that a review of another auditor’s work may be necessary, reliance on common quality control policies and procedures will allow the group auditor to reduce the extent of a review of the work of a related auditor compared to the extent of review that the group auditor would have performed on the work of an other auditor.</p> <p>Furthermore, the guidance should be expanded to encompass the fact that the communication between the group auditor and related or other auditor takes place on a continual basis. We suggest that paragraphs 26 and 27 be revised to reflect these considerations.</p>	No	<p>Overall, the respondents requested the IAASB to strengthen the procedures the group auditor performs in relation to the work of the other auditors – see Agenda Item 7-A, Appendix, paragraphs 11-13 and redrafted and restructured section, ISA XXX.88-95</p> <p>Also, the redrafted and restructured standards and guidance should be read in the context of the auditor</p>

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
27.12	HKSA	<p>The mandatory requirement in Paragraph 25 states that the “group auditor should determine whether the work of the related auditor or other auditor is adequate for the group auditor’s purposes in the context of the audit of the group financial statements”.</p> <p>We interpret the above paragraph as suggesting that the nature and extent of the review of working papers should be based on judgment. We agree with this approach. However, the guidance in paragraph 27 goes beyond the bold-lettered principle as it is quite definitive; suggesting that where the group auditor does not participate in the work performed by other auditors on significant financial components then the group auditor reviews, or requires that a related auditor to review, other auditor’s working papers. We would suggest that the guidance be less definitive on the need to always review the other auditor’s working papers. Instead the guidance should be expanded to recognize the range of procedures that might be performed to obtain evidence with respect to the adequacy of another auditor’s work for the group auditor’s purposes. Whether review of working papers is necessary, and the nature and extent of any review, depends on the circumstances, including other procedures the auditors may have performed to be satisfied with respect to the quality of the work performed by the other auditor.</p>	No	<p>standards and guidance in ISA XXX, which follows the audit risk model</p> <p>See response to 27.11</p>
27.13	NIVRA	<p>The bold-lettered requirement in Paragraph 25 of the proposed revised ISA 600 states that the “group auditor should determine whether the work of the related auditor or other auditor is adequate for the group auditor’s purposes in the context of the audit of the group financial statements”. We interpret this paragraph as suggesting that the nature and extent of the review of working papers should be based on judgment.</p> <p>Yet, the guidance in Paragraph 27 goes beyond the bold-lettered principle as it is quite definitive; suggesting that where the group auditor does not participate in the work performed by other auditors on significant financial components then the group auditor should review, or request that the related auditor review, the other auditor’s working papers. Whether a review of all the working papers is necessary, and the nature and extent of any review, depends on the circumstances, including other procedures the group auditor may have performed to be satisfied with</p>	No	See response to 27.11

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		respect to the quality of the work performed by the other auditor. Accordingly we suggest that the guidance should be less definitive on the need to review all of the other auditor's working papers in the circumstances identified and instead the guidance should be expanded to recognize the range of procedures that might be performed, in addition to a review of the relevant working papers, to obtain evidence with respect to the adequacy of another auditor's work for the group auditor's purposes.		
27.14	MIA-MICPA	<p>Paragraph 27 of the revised ISA 600 requires the group auditor to review the other auditor's working papers in the circumstances where the group auditor does not participate to a significant extent in the work performed by other auditors on the financial information of components that are of individual financial significance or of components that have been identified at group level as likely to include risks of material misstatement of the group financial statements.</p> <p>We suggest that the guidance should be less definitive on the need to <i>always</i> review the other auditor's working papers in the circumstances identified and instead the guidance should be expanded to recognize the range of procedures that might be performed to obtain evidence with respect to the adequacy of another auditor's work for the group auditor's purposes. Whether review of working papers is necessary, and the nature and extent of any review, depends on the circumstances, including other procedures the auditor may have performed to be satisfied with respect to the quality of the work performed by the other auditor.</p>	No	See response to 27.11
27.15	IOSCO	<p>Paragraph 27 – The last part of the first sentence "...the group auditor reviews or requires a related auditor to review the other auditor's working papers" should read, "the group auditor should review the other auditor's working papers." The group auditor should review the working papers of the other auditors in the circumstances described in this paragraph. This would allow the group auditor to gain direct insight into the riskiest areas of the group and to evaluate all the problematic areas of the group as a whole. Allowing a related auditor to review the working papers of the other auditors does not satisfy this obligation as this would not allow the group auditor to gain the necessary direct insight, so this alternative should be eliminated.</p> <p>Second sentence should read, "In the case of components that are likely to include significant risks of material misstatement, the group auditor considers the adequacy of the work performed and documented in the working papers in light of the assessed significant risks."</p>	Part	ISA XXX.69-79 (involvement of the group auditor) and ISA XXX.88-95 (adequacy of other auditor's work) contains redrafted and restructured text

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>Paragraph 28</p> <p>If the group auditor concludes that the work of a related auditor or other auditor is inadequate for the group auditor’s purposes, the group auditor ordinarily requests the related auditor or other auditor to perform additional procedures. Depending on the circumstances, the group auditor may consider it necessary to perform such additional procedures jointly with the related auditor or other auditor, or directly.</p>		ISA XXX.95
28.1	FSR ASC	Paragraph 28 could use the same formula as paragraph 30 – “...or directly + by the group auditor.”	Yes	ISA XXX.95
<b>Considering the Findings of the Related Auditors and Other Auditors</b>				
		<p>Paragraph 29</p> <p><b>The group auditor should consider those findings of the related auditor and other auditor that may have an impact on the auditor’s report on the group financial statements.</b></p>		ISA XXX.98
29.1	RREGAL	Paragraph 29 seems to be written the wrong way round in that there is no requirement to consider the findings of the related auditor or other auditor to see whether there are any matters that may affect the group auditors report. I think the sentence should be rewritten as “The group auditor should consider whether the findings of the related auditor or other auditor may have an effect on the auditor’s report on the group financial statements.”	Yes	ISA XXX.98
		<p>Paragraph 30</p> <p>The group auditor may consider it appropriate to discuss with a related auditor or other auditor and component management significant matters affecting the component’s financial information and may also conclude that additional audit procedures are necessary. Such additional audit procedures may, depending on the circumstances, be performed jointly with the related auditor or other auditor, or directly by the group auditor.</p>		
30.1	FSR ASC	Paragraph 30 does not seem to explicate paragraph 29 in grey lettering but rather belong to the section above (after paragraph 28).	No	The group auditor considers the other auditor’s findings

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
30.2	PWC	In these paragraphs and in the proposed IAPS Paragraph 24 there are references to "performed jointly", a term that is not defined in Paragraph 7. This could be interpreted to mean that the auditors must perform the procedure "together" which is not a realistic requirement. It is common practice in most jurisdictions (unless restricted by legal or regulatory requirements) for auditing firms to decide between them who is going to perform the procedure. We therefore suggest that the proposed revised ISA 600 either include a definition of the term "performed jointly" in Paragraph 7, or simply remove the word "jointly" from each sentence, leaving the auditor to judge the percentage of work that needs to be performed and continue the practice previously applied.	Yes	ISA XXX.99  and, based on this consideration, may want to have further discussions with the other auditor or component management, or perform additional procedures.
30.3	LSCA	The second sentence should be "are usually" rather than "may" as there does not appear to be another alternative. This is also another instance of where "performed jointly" is used.	Yes	ISA XXX.99
30.4	IDW	The additional audit procedures could also be performed directly by the other auditor (related or other).	Yes	ISA XXX.99
30.6	NIVRA	In these paragraphs and in the proposed IAPS Paragraph 24 there are references to "performed jointly", a term that is not defined in Paragraph 7. This could be interpreted to mean that the auditors must perform the procedure "together" which is not a realistic requirement. It is common practice in most jurisdictions (unless restricted by legal or regulatory requirements) for auditing firms to decide between them who is going to perform the procedure. We therefore suggest that the proposed revised ISA 600 either include a definition of the term "performed jointly" in Paragraph 7, or simply remove the word "jointly" from each sentence, leaving the auditor to judge the percentage of work that needs to be performed and continue the practice previously applied.	Yes	ISA XXX.99

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
<b>Reporting Considerations</b>				
		<p>Paragraph 31</p> <p><b>When the group auditor concludes that the work of the related auditor or other auditor does not provide sufficient appropriate audit evidence and the group auditor has not been able to obtain such audit evidence, the group auditor should consider the impact of this scope limitation on the auditor’s report on the group financial statements.</b> In the case of a qualified opinion, the group auditor may refer to the circumstances surrounding the group auditor’s inability to obtain sufficient appropriate audit evidence, if the group auditor believes that this disclosure will help to explain the reason for the qualified opinion.</p>		ISA XXX.100
31.1	AGV	<p>(1) We note that the group auditor can use the non-performance of the other auditor as a reason for qualifying the audit report. We recommend that the standard make clear that such a qualification should be considered only when all alternative means of obtain the required evidence has proved unsuccessful.</p> <p>(2) Also, we recommend that examples of unqualified and qualified audit reports for both the "sole responsibility" and "division of responsibility" approaches in the ISA be provided.</p>	No	<p>(1) The matter is clarified in the bold text, i.e. “and the group auditor has not been able to obtain such audit evidence.”</p> <p>(2) The IAASB has agreed not provide example auditor’s reports</p>
31.2	ICAEW	<p>Paragraph 31 should make it clear that the group auditors should not automatically issue a modified audit report simply because of an inability to review the working papers of other auditors.</p>	No	<p>ISA XXX.100 requires the group auditor to <u>consider</u> the effect of a scope limitation (i.e. the inability to obtain sufficient appropriate audit evidence regarding the financial information of a</p>

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
				component) on the auditor's report on the group financial statements. It does not <u>require</u> the group auditor to qualify his / her opinion in specified circumstances
31.3	FEE	The bold lettering in paragraph 31 would be enhanced by adding some wording into the first bold sentence, to be consistent with the wording in the new ISA 500 and would become: "When the group auditor concludes that the work of the related auditor or other auditor does not provide sufficient appropriate audit evidence and the group auditor has not been able to obtain such audit evidence through alternative audit procedures, the group auditor should consider the impact of this scope limitation on the auditor's report on the group financial statements".	Yes	ISA XXX.100
31.4	IRE Belgium	In paragraph 31 of ISA-600, some <u>wording</u> can be added into the first bold sentence, to be consistent with the wording in the new ISA-500	Yes	ISA XXX.100
		Paragraph 32		ISA XXX.101
		The group auditor considers whether the subject of a finding communicated by a related auditor or other auditor is of such a nature and significance in relation to the group financial statements that a modification of the auditor's report on the group financial statements is required.		
32.1	FSR ASC	Paragraph 32 should be in black lettering and refer to a possible disagreement with management to parallel section 31 on scope limitations. Besides a reference to the possibility that group management agreed in correcting the misstatement before consolidation could be made.	Part	ISA XXX.101
		Paragraph 33		ISA XXX.102
		Uncorrected misstatements that are material to the component's financial information may be immaterial when		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>aggregated at the group level and, as a result, may not impact the group auditor's report on the group financial statements. However, uncorrected misstatements that are immaterial to the component's financial information may be material when aggregated with uncorrected immaterial misstatements of other components' financial information, and the group auditor considers the impact of the aggregated uncorrected immaterial misstatements of components' financial information on the auditor's report on the group financial statements. (See paragraph 22(e).)</p>		
	<b>Documentation</b>	<p>Paragraph 34</p> <p>ISA 230, "Documentation" and other ISAs contain standards and guidance on documentation. <b>In the case of an audit of group financial statements, the group auditor should also document the following:</b></p> <ul style="list-style-type: none"> <li>(a) <b>The group auditor's conclusion with regard to the professional qualifications, independence, professional competence and resources of the other auditor, and of the quality control process of the other auditor's firm.</b></li> <li>(b) <b>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 such risks.</b></li> <li>(c) <b>The scope of work performed on the components' financial information and the consolidation.</b></li> <li>(d) <b>The group auditor's conclusion as to whether the group auditor has obtained sufficient appropriate audit evidence that the work of the related auditor and other auditor is adequate for the group auditor's purposes, as well as any additional procedures performed by the group auditor on the component's financial information.</b></li> <li>(e) <b>The group auditor's conclusion with regard to the significant findings arising from the work of the related auditor or other auditor.</b></li> <li>(f) <b>Discussions of significant accounting, auditing and financial reporting matters with group management,</b></li> </ul>		ISA XXX.117

No.	Respondent	Respondent Comment	Processed	Task Force Comment / Reference
<b>component management, related auditors or other auditors.</b>				
34.1	FSR ASC	Paragraph 34 c on the scope documentation should make it clear that the entire scope is involved – the audit procedures by a related or an other auditor as well as the procedures by the group auditor.	No	Additional clarification was not considered necessary
34.2	AGV	We note that the documentation requirements in this exposure draft exceed those in the Australian auditing standards, however the additional documentation would result in an improved level of audit evidence in the working papers to support the opinion given for the consolidated financial statements.	Noted	
34.3	ICAEW	The draft ISA requires that the group auditors document their conclusion on the qualifications of the other auditors (paragraph 34). Such procedures are not common and whilst the procedures suggested in paragraph 16 appear reasonable, further guidance as to the nature of such investigations and enquiries is desirable. Guidance should also be provided on situations in which no response is forthcoming. Furthermore, it is not clear as to what is meant by a ‘conclusion’ on qualifications or how this should be documented. We suggest that the requirement be for group auditors to document the procedures performed relating to the qualifications of the other auditor and how this affects the group auditor’s participation in, or procedures performed in relation to, the other auditor’s work.	Part	ISA XXX.117(a)
34.4	FEE	<p>While the group auditor can perform the procedures related to the consideration of the professional qualifications, independence, professional competence and resources of the other auditor, and the quality control process of the other auditor’s firm in the context of the work to be performed by the other auditor as suggested in paragraphs 15 to 18 of the proposed ISA, and document the results of those procedures as required in paragraph 34 – including any concerns regarding any of the matters and how the group auditor responded to those matters, it may be difficult for the group auditor to conclude definitively about the other auditor’s “qualifications”. There is no guidance in the proposed revised ISA on what is expected to fulfill this requirement.</p> <p>Therefore, FEE proposes including further clarification on the documentation expected with regard to the other auditor’s qualifications. FEE recommends that the group auditor be required to document the procedures performed with respect to the qualifications of the other auditor, and how the nature, timing and extent of the group auditor’s participation in the other auditor’s work, or the procedures performed in relation to the other auditor’s work, were</p>	Yes	ISA XXX.117(a)

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		impacted if matters are found that influenced the group auditor’s level of satisfaction with the other auditor’s qualifications.		
34.5	PWC	<p>Paragraph 15 of the proposed revised ISA 600 requires the group auditor to consider the professional qualifications, independence, professional competence and resources of the other auditor, and the quality control process of the other auditor’s firm in the context of the work to be performed by the other auditor. The ISA refers to sources from which the group auditor might obtain information about the other auditor (e.g. professional bodies, licensing bodies, professional colleagues, direct representation or references from third parties). The proposed IAPS suggests that visits or previous contacts with the other auditor and reviews of the other auditor’s work may provide the group auditor with information about the other auditor’s professional competence. We fully support this guidance.</p> <p>In the documentation requirements in Paragraph 34 of the proposed revised ISA 600, however, the group auditor is required to document “<i>a conclusion</i>” with regard to such observations. Whilst we agree with the principle, in our view it may be difficult for the group auditor to conclude definitively about the other auditor’s qualifications. We therefore suggest that the proposed revised ISA 600 include further clarification on the type of documentation expected with regard to the other auditor’s qualifications. For example, rather than a “conclusion” per se, the group auditor could be asked to document the procedures performed with respect to examining the qualifications of the other auditor and how that has impacted the nature, timing and extent of the group auditor’s participation in the other auditor’s work.</p>	Yes	ISA XXX.117(a)
34.6	LSCA	<p>(1) Point (a) should also require a conclusion to be drawn on related auditors.</p> <p>(2) There should be a further point which documents the conclusion made on uncorrected misstatements.</p>	Yes	(1) ISA XXX.117(a) (2) ISA XXX.117(g)
34.7	RMAHA-DEVAN	<p>Para 34(f) - before group management - those charged with governance be added similar to para 35 last sentence and para 41(c).</p>	No	
34.8	GT	<p>We further believe the IAASB should provide guidance with respect to the group auditor’s documentation of work performed by other auditors. Without such guidance, practice will vary significantly. For example, certain group auditors may request copies of the other auditor’s working papers in order to support their opinion on the group</p>	No	<p>Additional guidance was not considered necessary; however, reference could be made to the general audit</p>

No.	Respondent	Respondent Comment	Process- ed	Task Force Comment / Reference
		financial statements, while other group auditors will not request such copies.		documentation requirements in proposed ISA 230 (Revised) and ISA XXX.110-114 and 117
34.9	IDW	<p>In our view, the group auditor would first consider the matters in point (b) at a preliminary stage before making decisions about accepting or continuing the engagement based upon group auditor involvement, division of responsibility, or determining the scope of work to be performed on the component's financial information and the consolidation. On this basis, we suggest relocating point (b) before point (a). Subsequent to this new point (a), we would then add the following matters in the noted order that we believe ought to be documented prior to the new point (a):</p> <ul style="list-style-type: none"> <li>• the group auditor's conclusion with respect to whether or not to divide responsibility (if applicable)</li> <li>• the group auditor's assessment of the degree of group auditor involvement (either direct or by means of review) and assessment of risks and the group auditor's conclusion on whether to accept or continue the audit engagement on that basis</li> <li>• the group auditor's communications with other auditors about the group auditor's requirements</li> <li>• the current point (c)</li> </ul> <p>Prior to the current point (d) but subsequent to the current point (b) (which would now follow the current point (c) as noted above) we suggest adding the following points using the nomenclature we had proposed:</p> <ul style="list-style-type: none"> <li>• the group auditor's determination as to whether the group auditor has sufficient access to component information, component management or the other auditor or the other auditor's working papers and management's communications with group management, component management and the other auditor in this respect</li> </ul> <p>where difficulties of sufficient access arise, the auditor's analysis and conclusion with respect to the impact of this</p>	Part	<p>ISA XXX.5-10 provide for the group auditor to obtain a preliminary understanding of the group, its components, and their environments</p> <p>Access to information considerations are covered in ISA XXX. 117(f), which requires the auditor to document his / her conclusion as to whether sufficient appropriate audit evidence was obtained</p>

No.	Respondent	Respondent Comment	Process- ed	Task Force Comment / Reference
		scope limitation on the auditor's report		
34.10	HKSA	<p>Paragraph 15 of the ISA requires the group auditor to consider the professional qualifications, independence, professional competence and resources of the other auditor, and the quality control process of the other auditor's firm in the context of the work to be performed by the other auditor. The ISA refers to sources from which the group auditor might obtain information about the other auditor (e.g. professional bodies, licensing bodies, professional colleagues, direct representation or references from third parties). It also says that the group auditor obtains a representation that the quality control processes of the other auditor's firm comply with the proposed ISQC 1. Whilst we agree with this guidance, in the documentation requirements in paragraph 34 of the proposed revised ISA 600, the group auditor is required to document a <u>conclusion</u> with regard to such observations. In our view, while the group auditor can perform the procedures suggested and document the results of those procedures, including any concerns regarding any of the matters and how the group auditor has responded to those matters, it may be difficult for the group auditor to conclude definitively about the other auditor's "qualifications".</p> <p>We suggest that the proposed revised ISA 600 offer further clarification on the type of documentation expected with regard to the other auditor's qualifications. Alternatively, it may be more appropriate to document what evidence has been obtained instead of having to conclude definitively.</p>	Yes	ISA XXX.117(a)
34.11	NIVRA	<p>Paragraph 15 of the proposed revised ISA 600 requires the group auditor to consider the professional qualifications, independence, professional competence and resources of the other auditor, and the quality control process of the other auditor's firm in the context of the work to be performed by the other auditor. The ISA refers to sources from which the group auditor might obtain information about the other auditor (e.g. professional bodies, licensing bodies, professional colleagues, direct representation or references from third parties). The proposed IAPS suggests that visits or previous contacts with the other auditor and reviews of the other auditor's work may provide the group auditor with information about the other auditor's professional competence. We fully support this guidance.</p> <p>In the documentation requirements in Paragraph 34 of the proposed revised ISA 600, however, the group auditor is required to document "<i>a conclusion</i>" with regard to such observations. Whilst we agree with the principle, in our view it may be difficult for the group auditor to conclude definitively about the other auditor's qualifications. We therefore</p>	Yes	ISA XXX.117(a)

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
34.12	MIA-MICPA	<p>suggest that the proposed revised ISA 600 include further clarification on the type of documentation expected with regard to the other auditor's qualifications. For example, rather than a "conclusion" per se, the group auditor could be asked to document the procedures performed with respect to examining the qualifications of the other auditor and how that has impacted the nature, timing and extent of the group auditor's participation in the other auditor's work.</p> <p>We suggest that the proposed revised ISA 600 offer further clarification on the type of documentation expected with regard to the other auditor's qualifications, for example, the group auditor could document the procedures performed with respect to the qualified report of the other auditor.</p>	Yes	ISA XXX.117(a)

#### Division of Responsibility

##### Paragraph 35

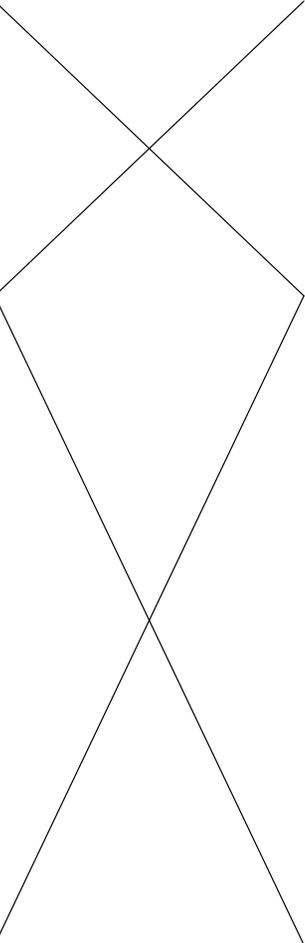
When national standards enable and national law or regulation permits, the group auditor may divide responsibility for the audit opinion on the group financial statements. **If the group auditor decides to divide responsibility for the audit opinion on the group financial statements, the group auditor should follow the relevant national standards and national law or regulation.** In such circumstances, the group auditor informs those charged with governance of the group of the decision to divide responsibility.

FOR ALL COMMENTS  
RELATING TO ED-  
600.35-41 REFER TO:

Agenda Item 7-A,  
Appendix, paragraphs 2-4  
and 11-13

Agenda Item 7-A,  
paragraphs 14-16

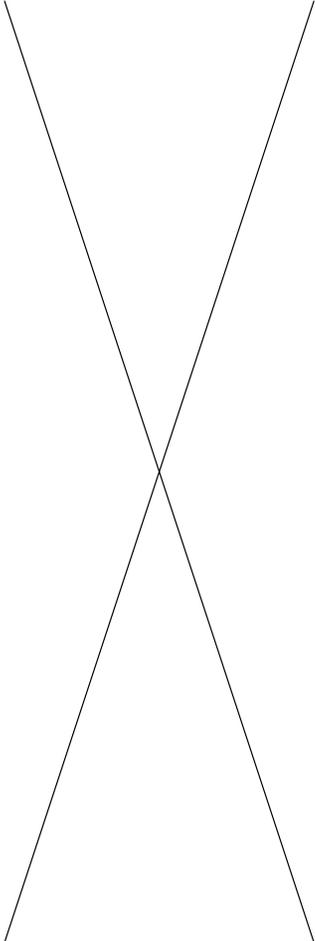
35.1	ICAI ASC	<p>This is consistent with the approach adopted in the ISA but is it appropriate? We believe that the standard should show a clear preference for sole responsibility. Assuming national standards apply and national regulations permit, should a group auditor be able to decide to divide responsibility if the component's financial information is material? If national legislation permits auditors to take divided responsibility and they so chose they should make appropriate disclosures.</p> <p>Division of responsibility does not apply in the case of a related auditor.</p>		
35.2	AGV	<p><i>Retention of "division of responsibility" as an alternative to "sole responsibility" in certain specified circumstances.</i></p>		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
35.3	ICAEW	<p>In principle, we favor the approach taken in the current Australian standard, <i>AUS 602 Using the Work of Another Auditor</i>, which requires the principal auditor to have sole responsibility for the opinion expressed on a consolidated financial report.</p> <p>There are only a limited number of cases where all elements of a set of consolidated financial statements are not audited by the respective Auditor-General. Where an audit is contracted out to a firm, the ultimate responsibility for quality control, reporting and issuing the audit opinion lies with the Auditor-General. Consequently, from a public sector perspective, if the proposal to permit a group auditor to divide responsibility for the audit opinion is retained in its current form, the practical impact may not be significant.</p> <p>We do not believe that divided responsibility is conducive to the conduct of high quality audits and we remain unconvinced that there is any need for the retention of the option for the following reasons</p> <ul style="list-style-type: none"> <li>• In the current climate, in the wake of accounting scandals stretching back over the last twenty years, and in view of the well-documented problems associated with the audit of complex business empires that are designed to be opaque, it seems clear that divided responsibility increases the risk that major frauds will go undetected and sends out the wrong messages about accountability within the profession</li> <li>• Most jurisdictions do not permit divided responsibility; those that do, do not mandate it and auditors therefore have a choice. If ISA 600 were to require full responsibility there would be no direct conflict with those jurisdictions that permit divided responsibility</li> <li>• The interaction of draft ISA 600 with proposed PCAOB requirements relating to the retention of audit files at the office of group auditors with full responsibility may result in an increase of instances in which responsibility is divided (to avoid PCAOB requirements); we consider this outcome to be highly undesirable</li> <li>• The European Commission has already highlighted via the draft revised 8th Company Law Directive that post-Parmalat, full responsibility by parent company auditors will be expected.</li> </ul> <p>We believe that IAASB should consider very carefully the effects of embedding the option of divided responsibility into ISAs at a time when IAASB is seeking global recognition as a credible standard setter.</p>		

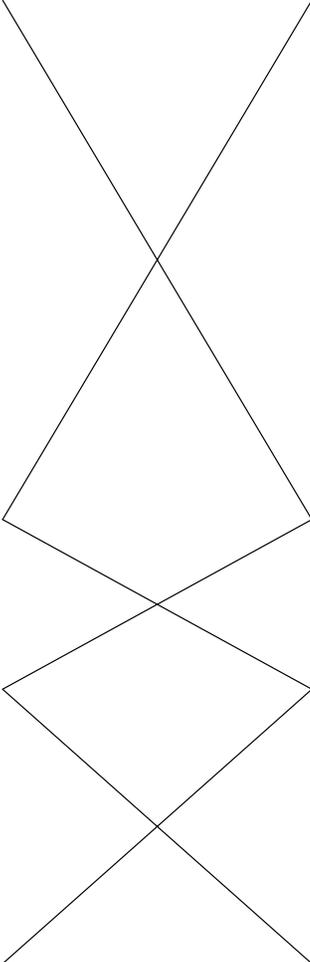
No.	Respondent	Respondent Comment	Processed	Task Force Comment / Reference
35.4	CICPA	Besides, we do not believe the retention of "division of responsibility" appropriate, because such result would not make the accounting profession's practice and international harmonization any better, and still not narrow the gap between two principles by recognizing in the body of ISAs the status of "division of responsibility".		
35.5	FEE	<p>We regret that the proposed revised standard allows for divided responsibility (as distinct from joint responsibility) for auditors in the case of a group audit of consolidated financial statements. While FEE recognizes that there are often good reasons to appoint different audit firms to perform the audits of a group of entities, FEE believes that this should not result in divided responsibility for the group auditor. FEE is a long standing opponent of divided responsibility for financial statement audits and strongly favors the auditor of the consolidated financial statements having “sole responsibility” (as set out in the Explanatory Memorandum) for his report.</p> <p>The following considerations are paramount for our position:</p> <ul style="list-style-type: none"> <li>• The public has to understand who is ultimately responsible for the audit of group financial statements.</li> <li>• It has to be recognized that the group auditor is fully accountable and has a responsibility to form an opinion on the group financial statements as a whole and, therefore, needs to obtain sufficient appropriate evidence on which to form that opinion.</li> <li>• In a risk-assessment approach to the audit, it is important to obtain a sufficient understanding of the group as a whole in order to properly assess risks in that group audit. It may be difficult to obtain that understanding if simply relying on the other auditor’s work.</li> <li>• Sole responsibility can help to restore confidence in the capital markets as it may counter risks of fraud that might occur when the entity is able to “divide and conquer” between auditors of components of the group.</li> <li>• The proposed modernized Eighth European Union Company Law Directive which has recently been published contains the requirement that the group auditor bears the full responsibility for the audit report in relation to consolidated financial statements.</li> </ul> <p>Although sole responsibility should in our view be regarded as the benchmark treatment for the profession, clearly</p>		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>being in the public interest, we understand that a limited number of jurisdictions permit divided responsibility under certain defined circumstances. Pending the reconsideration of their position by such jurisdictions, FEE is of the opinion that in cases where the group auditor chooses this alternative option, disclosure of the following requirements and information should be provided to give the full transparency to which we believe users are entitled:</p> <ul style="list-style-type: none"> <li>• The group auditor’s report on the consolidated financial statements should disclose that the alternative option of divided responsibility has been chosen.</li> <li>• The group auditor’s report should disclose the different components of the consolidated financial statements audited by the group auditor and the other auditors as well as the magnitude of the portion of the consolidated financial statements of each such component.</li> <li>• The identity of the other auditors should be disclosed in the group auditor’s report unless this is clearly stated in the consolidated financial statements.</li> </ul>		
35.6	FAR	<p>Conceptually, division of responsibility in an Auditor’s Report on Group Financial Statements is not sound, nor is it sound from a professional point of view. We therefore strongly recommend IAASB to exclude division of responsibility as a possibility and allowed good practice in the audit of group financial statements, i.e. paragraphs 6 and 35-41 should be deleted and other paragraphs such as 5 amended accordingly.</p>		
35.7	CNCC	<p>The French Institutes, leaving apart the fact that “<i>division of responsibility</i>” is not allowed in France, consider that it is not “<i>per se</i>” good practice and should not be retained as an alternative approach to “<i>sole responsibility</i>”.</p> <p>Institutions such as IOSCO and the European Commission for example do not support the principle of allowing division of responsibility and therefore do not support the possibility to have a different audit approach depending on whether the responsibility will be divided or not. In the present context of the PARMALAT case, the French Institutes consider that the IAASB should send a strong message that, even where national law or regulation permits division of responsibility, its preference as a best practice is clearly is for “<i>sole responsibility</i>” rather than “<i>division of responsibility</i>”. The revised standard should therefore require that the group auditor determines whether the work of the other auditor is adequate in the context of the group financial statements in the same way it is required when sole</p>		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
35.8	PWC	<p data-bbox="399 349 630 381">responsibility is taken.</p> <p data-bbox="399 414 1554 576">However, while we strongly support the proposed guidance on Group Audits when the auditor assumes sole responsibility, we do not support the proposed changes to ISA 600 that elevate the option of dividing responsibility with other auditors to be an equally valid alternative approach. For the reasons we explain more fully below, we would prefer that the ISA recommend sole responsibility only, and allow divided responsibility only in very limited circumstances.</p> <p data-bbox="399 600 1554 836">Extant ISA 600 had been premised on sole responsibility (and expressed a preference for it) but acknowledged that local regulations in some countries permit a principal auditor to base the audit opinion on the financial statements, taken as a whole, solely upon the report of another auditor regarding the audit of one or more components. Paragraph 5 of the proposed revised ISA 600 also permits the auditor to divide responsibility for preparation of the audit opinion on the group financial statements where national standards enable and national law or regulation permit division of responsibility. In fact, the proposed revised ISA 600 effectively elevates division of responsibility to be an equal option, as the draft ISA no longer expresses a preference for sole responsibility.</p> <p data-bbox="399 860 1438 893">We do not support the proposal to retain the option of dividing responsibility for the following reasons:</p> <ul data-bbox="399 917 1554 1291" style="list-style-type: none"> <li data-bbox="399 917 1554 1120">▪ The group auditor has a responsibility to form an opinion on the group financial statements as a whole and it follows logically from that responsibility that the group auditor needs to obtain sufficient appropriate evidence on which to form that opinion. In the risk-assessment approach to the audit reflected in the new Audit Risk ISAs, it is important to obtain a sufficient understanding of the group as a whole in order to properly assess and respond to risks in the group audit. It may be difficult to obtain that information or understanding if simply relying on the other auditor's work.</li> <li data-bbox="399 1144 1554 1242">▪ Sole responsibility is consistent with a focus on audit quality as the nature, timing and extent of work on all material components in a group remain in the control of the group auditor and communications between the group auditor and other auditors is strengthened.</li> <li data-bbox="399 1266 1554 1291">▪ We are concerned that there can be a heightened risk that the group auditor will not be able to properly assess and</li> </ul>		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>design appropriate procedures to respond to the risks of fraud within the group as a whole when there is divided responsibility (i.e., there may be a greater opportunity for management motivated to perpetrate a fraud to "divide and conquer" because of the more limited communication between the group and component auditor).</p> <ul style="list-style-type: none"> <li>▪ We are also concerned about the impact of embedding alternatives in the ISAs on such an important issue at a crucial time in achieving global recognition of IAASB as a credible and recognized international auditing standard-setter</li> </ul> <p>The Explanatory Memorandum to the Exposure Draft indicates that, “after extensive deliberation of the matter the IAASB agreed that, due to <i>practical implementation issues</i> and <i>in the interest of convergence</i> of national standards with international standards, “division of responsibility” should be retained...”</p> <p>The practical implementation issues are not explained in the Explanatory Memorandum and we are not convinced that implementation would pose an insurmountable problem. There is well-established practice in many jurisdictions globally based on the group auditor having sole responsibility in a group audit. We note with interest that the recently published, proposed Eighth European Union Company Law Directive contains a requirement that the group auditor bears the full responsibility for the audit report in relation to group accounts.</p> <p>We are also of the view that convergence of national standards with international standards would not necessarily be hindered if IAASB decided to make sole responsibility a requirement. We appreciate, and strongly advocate, the importance of convergence of national standards with international standards. However, we understand that in those countries that allow division of responsibility, the standards do not mandate it – it remains a choice, albeit a choice that a number of group auditors may have chosen in practice. If the IAASB adopted sole responsibility only, auditors in those jurisdictions could continue to comply with both ISAs and their national auditing standards, but their choice would be restricted to accepting sole responsibility. Doing so would not, however, put those auditors into a conflict with their standards. Furthermore, retaining the option of divided responsibility in the interest of convergence alone is not consistent with the principles-based approach to standard setting that we believe is important in promoting high quality auditing. The IAASB should be a leader not a follower in developing auditing standards and should reach its own conclusions based on the principles it believes are in the best interests of achieving the objective of high quality</p>		

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		<p>auditing regardless of the views of any one national standard setter.</p> <p>Those who advocate divided responsibility often cite transparency as one of the benefits. However, if the group auditor has obtained sufficient appropriate evidence to support the opinion on the group financial statements, a reference to other auditors may confuse more than it clarifies. In addition, the proposed guidance on divided responsibility in the proposed revised ISA 600 recommends that the auditor's report indicate only the magnitude of the portion of the group financial statements audited by other auditors and makes no reference to the need to identify the other auditors. This does not seem to be significantly more transparent. In addition, the audit report need not be the vehicle to communicate the identity of the auditors of each of the major components in a group. Such information could be required communications with those charged with governance, for example, or even included in an entity's annual report.</p> <p>Another argument cited in support of divided responsibility is that it avoids duplication of work. However, as the proposed revised ISA 600 and the proposed IAPS explain, accepting sole responsibility for the group audit opinion does not mean that the group auditor cannot use the work of the other auditor. Undoubtedly, the group auditor must perform sufficient procedures to satisfy himself or herself regarding the professional qualifications, competence, independence and quality control processes of the other auditor and, having done so, must then determine the procedures the group auditor believes are necessary in order to be satisfied that the work performed by the other auditor provides sufficient appropriate audit evidence in the context of the audit of the group financial statements. It should not be necessary for the group auditor to reperform audit procedures at the component unless otherwise unable to satisfy himself or herself regarding the sufficiency and adequacy of the work already performed by the other auditor (for example, through inquiry, review of working papers, evidence obtained regarding the effectiveness of group controls etc.). Indeed, it is important that the ISA define clear parameters on the work effort expected of the group auditor in this regard.</p> <p>For all of these reasons, we strongly encourage IAASB to base both the proposed revised ISA 600 and the proposed IAPS on the principle of the group auditor having sole responsibility in the group audit. This would involve deleting Paragraphs 5 and 6 in the proposed revised ISA 600, as well as the section on <i>Division of Responsibility</i> in Paragraphs 35 to 41.</p> <p>However, we do recognize that there may be exceptional circumstances when it would be impracticable for the group</p>		

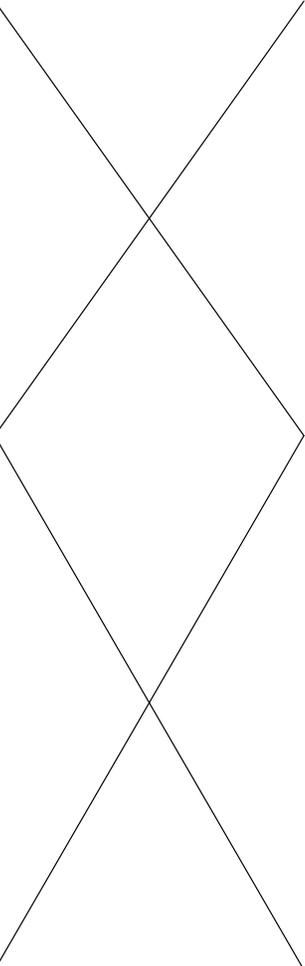
No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
35.9	JICPA	<p>auditor to accept full responsibility for the work of another auditor. For example, this would not be possible in situations where an entity makes a major acquisition just before the entity’s accounting year-end and, given time constraints for filing of the audited group financial statements, it is not possible for the group auditor to perform the procedures necessary to obtain sufficient appropriate evidence regarding the work performed by the incumbent component auditor. There may also be circumstances when the group auditor is not given access to a component or the component auditor’s working papers.</p> <p>In such circumstances, the group auditor is faced with a limitation in the scope of work necessary to accept full responsibility and needs to consider the impact of that limitation on the group auditor’s opinion and report. As suggested in the ISA, this would ordinarily involve considering the need for a scope limitation. However, we acknowledge that in some jurisdictions and circumstances, a scope limitation may not be a viable option and dividing responsibility in the auditor’s report may be the only practical way of dealing with the limitation. To accommodate these practical limitations, we suggest adding guidance to the section on reporting to allow the group auditor to refer to another auditor in the auditor’s report in exceptional circumstances when it is impracticable or not possible for other reasons for the group auditor to accept full responsibility for the work of another auditor.</p> <p>However, we strongly encourage IAASB to revisit the proposed position regarding divided responsibility. We do not believe giving equal recognition to both sole and divided responsibility shows the leadership that a global standard setter should be taking on this issue and believe that sole responsibility is in the best interests of promoting high quality audits.</p> <p>In order to facilitate convergence of auditing standards internationally, the Exposure Draft deals with both sole responsibility and division of responsibility (paragraphs 5 and 35 to 41) for audits where other auditors conduct the work on the component’s financial information.</p> <p>However, when considering the convergence of ISAs and national auditing standards, the inclusion of division of responsibility for national auditing standards is not appropriate for the countries that do not permit division of responsibility because such inclusion could mislead or confuse readers in those countries which do not allow division of responsibility. Accordingly, the IAASB should recognize that national auditing standards should be interpreted as</p>		

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		<p>being consistent with ISAs not by the form of translation but by the substance of the national auditing standards – such a substance basis includes the exclusion of descriptions in ISAs such as division of responsibility, which are not appropriate for certain national auditing standards.</p> <p>Therefore, we support that ISA 600 deals with division of responsibility provided that the IAASB responds flexibly not only to such ISA 600 matters but to the interpretation of convergence of all ISAs and national auditing standards.</p>		
35.10	DNR	<p>In Norway it is not possible for the group auditor to reduce his responsibility for the audit opinion on the group financial statements by dividing the work between himself and another auditor. We believe that the group auditor should carry the responsibility for the group audit opinion undivided. The reason for this is that the group financial statements are presented as one document and is perceived as one document by all users. We believe allowing division of responsibility will give unfortunate signals to users.</p> <p>We recognise that some countries allow a division of responsibility as an option and that it therefore is practical for the standard to allow both options. However, we believe IAASB in this case must make the decision based on best practice. We therefore do not support the option to divide responsibility for the audit opinion on the group financial statements.</p>		
35.11	ICAS	<p>We not believe that the standard should allow for the ‘division of responsibilities’. We firmly believe that the standard should only allow ‘sole responsibility’ for the audit opinion. In the public interest we believe that it is paramount that it should be clear who ultimately takes responsibility for the audit report issued in relation to the particular group’s financial statements.</p>		
35.12	LSCA	<p>We do not agree with the proposal to retain the option of dividing responsibilities for the audit even though it may be allowable in national standards, law or regulation. We consider that IAASB should be promoting the highest standards of auditing and should not allow an option merely because it is available under national law.</p> <p>Having one auditor take responsibility for the group prevents a group playing off one auditor against another and also each auditor assuming the other will take responsibility for certain aspects of the audit. Several audit failures have involved divided responsibilities where the principal auditor appears not to have had an overall view of the audit</p>		

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35.13	ACCA	<p>because other auditors are responsible for part of the overall audit opinion.</p> <p>For example, even though the final facts are not known, it is likely that one of the issues of the failure of Parmalat may be that there was division of audit responsibility. It is also likely that the EU may mandate that one auditor must take overall responsibility, as this is best practice. It will not help the credibility of IAASB if they, at this time, promote a standard with weak options.</p> <p>While we would like the option of division of responsibility to be removed, we have made comments assuming that it will remain, as otherwise our response to the consultation would be deficient.</p> <p>The Explanatory Memorandum issued with the proposed pronouncements explains that ‘After extensive deliberation of the matter the IAASB agreed that, due to practical implementation issues and in the interest of convergence of national standards with international standards, “division of responsibility” should be retained as an alternative approach to “sole responsibility.”’</p> <p>This explanation exposes the thinking of IAASB that division of responsibility is not justified for any other reason. Because of this, we have not felt the need to present the many arguments against division of responsibility.</p> <p>ACCA does not support the division of responsibility. We do not believe that ISAs should contain an exemption from what would ordinarily constitute a scope limitation. We expect that division of responsibilities will not be permitted in any EU country from 2006. This will leave the United States as the only major jurisdiction where it is permitted. ACCA believes that the interest of convergence of national standards with international standards is best served by the US standards changing so that division of responsibility is no longer permitted. ACCA believes that the practical implementation issues are, therefore, for the US to resolve before the adoption of ISAs.</p>		
35.14	MAZARS	<p>We do not believe the ISA should allow for group audit arrangements with division of responsibility between the group auditors and other auditors.</p> <p>As group auditors are responsible for determining the scope of the work to be performed at the group and component level, we believe they should also accept sole responsibility for the audit opinion given on the group accounts.</p> <p>We believe that the IAASB should be looking to promulgate the highest standards within auditing and that allowing for</p>		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>national variances within any International Auditing Standard is the detriment of the standards as a whole.</p> <p>Where the division of responsibility is allowable under a national framework, we believe auditors should audit and report under that framework and not under an international framework.</p>		
35.15	MS	<p>Users of financial statements are critical of inconsistent audit quality. We believe that the retention of the “divided responsibility” alternative serves to perpetuate the potential for variation in the audit standards that are applied to the components of the group. “Sole responsibility” provides the users of financial statements with certainty of the identity of the auditors responsible and the standards that they have applied in undertaking their audit of the group financial statements; this key information is specified in their audit report.</p> <p>The “divided responsibility” alternative should be available only in any jurisdiction where the “sole responsibility” alternative is not permitted. In such cases the report of the group auditors should specify that the “divided responsibility” alternative has been used, together with details of the jurisdiction(s) involved. If the “divided responsibility” alternative has been used, the group financial statements should disclose the identity of the other firm(s) involved, together with the details of the nature and quantum of the elements of the group financial statements where the group auditors do not regard themselves as taking responsibility.</p>		
35.16	IRE Belgium	<p>In general, the Board understands the proposed point of view of the IAASB to establish standards and provide guidance in the case of either division of responsibility or sole responsibility of the group auditor, to provide for different models in different jurisdictions worldwide. However, with respect to the current climate of investor’s lack of confidence in (consolidated) accounts, as well as in the public interest, and in view of the draft 8<sup>th</sup> European Directive retaining only ‘sole responsibility’ of the auditor of group financial statements, the Board would like to suggest to IAASB to reconsider the scope of the ISA. For instance, while the actually proposed ISA-600 deals with both the division of responsibility and sole responsibility, and the proposed IAPS only with sole responsibility, the Board would like to suggest to reconsider the scope of ISA-600 insofar that sole responsibility becomes the ‘benchmark treatment’ of ISA-600 (allowing, where national law permits or requires it, division of responsibility) and that division of responsibility is treated in a separate IAPS. Furthermore, in the context of the new Audit Risk Model ISAs, it will be a very difficult task to obtain an understanding of the entity and its environment (and thus to assess the risks of material</p>		

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35.17	CICA	<p>misstatement of the financial statements) if the group auditor has to rely in a significant portion of the work on the other auditor's work.</p> <p>In this respect, the wording of paragraph 5 of ISA-600 should be revisited, by stating that</p> <p><i>“Unless national standards enable and national law or regulation permits the group auditor to divide responsibility for the audit opinion of the group financial statements (referred to as ‘division of responsibility’) and the group auditor decides to do so, the group auditor should take sole responsibility for the audit opinion on the group financial statements.”</i></p> <p>In the opinion of the Board, the sentence ‘and the group auditor decides to do so’ could be <u>eliminated</u> from paragraph 5. The Board states two reasons for this :</p> <ol style="list-style-type: none"> <li>1. This sentence reflects e.g. the US-situation where a choice is being given to the group auditor with regard to the division or not of responsibility. In general, however, it might be as well the case that a jurisdiction <b>requires</b> the auditor to divide responsibility for the audit opinion of the group financial statements, so that a choice of the auditor becomes obsolete;</li> <li>2. If, however, sole responsibility would be put forward as the ‘benchmark treatment’, this would serve public interest as well. The Board cannot imagine that a division of responsibility would serve the transparency of the auditor’s report on the group financial statements, except for the situations whereby responsibility is being divided in the case of the group auditor remaining responsible for the audit of a <u>significant</u> part of the group financial statements.</li> </ol> <p>Consequently, paragraphs 35-41 of ISA-600 should take into account that the division of responsibility has to imply that the responsibility for a substantial portion of the audit of the group financial statements remains with the group auditor, and can not be divided freely, and certainly NOT in the case where the component’s financial information is material in relation to the group financial statements, a possibility suggested by the current paragraph 36. Instead, paragraph 38 could, in the public interest, foster full transparency in the group auditor’s report of any division of responsibility. The actual text of paragraph 38 in unclear in this respect.</p>		

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35.18	GCPAS	<p>approach is enabled by national standards and permitted by national law or regulation. However, given recent developments in the European Union, including the collapse of Parmalat, it appears that the concept of division of responsibility is not consistent with the views of the European Commission. Recent EU proposals for a “good governance code” include the requirement that the group auditor to take full responsibility for consolidated accounts. In our view, the IAASB should reconsider whether a division of responsibility approach should be allowed in light of these recent developments.</p> <p>We understand that this matter underwent extensive deliberation. However, we question whether the conclusion to defer to national standards in this matter is appropriate. It would seem that for the ISAs to have credibility in this area, their need to be clear standards at the international level – the IAASB should take its own position on the matter. Further, if the bold letter wording in paragraph 35 remains unchanged, then paragraphs 36 to 41 would not seem necessary. That is, practitioners have been told in paragraph 35 to follow their own national standards, so that it does not seem logical to follow this requirement with a list of international requirements.</p> <p>We fully support the concept in the proposed standard that the “Sole Responsibility” should be the preferred method. The Group Auditor should be (under consideration of his professional judgment) solely responsible in the determination of the scope of work to be performed either directly or by a Related Auditor or Other Auditor respectively (see paragraph 10).</p> <p>However, this does not exclude the possibility to use the audit evidence obtained by the Related Auditor or Other Auditor in connection with the statutory audit – if required to express an audit opinion on a component’s financial statements – as appropriately stated in paragraph 14.</p> <p>We also fully support the concept in paragraph 5 of the proposed standard that in case the Group Auditor takes the “Sole Responsibility” for the audit opinion on the group financial statements, the Group Auditor should not refer to the Other Auditor in the auditor’s report on the group financial statements. Such a reference could – instead of providing more transparency of the audit process – possibly lead the addressees of the auditor’s report to believe that a kind of “Division of Responsibility” exists and could, therefore, increase the already existing expectation gap. The exception to this strict rule in paragraph 31, however, is not only acceptable but strongly required since the full liable Group Auditor should have the possibility to explain the reasons and circumstances of a scope limitation which is due to the</p>		

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		<p>work of the Other Auditor or Related Auditor not providing sufficient audit evidence or due to insufficient access to information as stated in paragraph 19 and 20.</p> <p>Consequently, we support the new concept stated in paragraph 6 in connection with paragraph 7 (f) and (h) of the proposed standard that the “Division of Responsibility” does not apply in case of a Related Auditor but only in case of an Other Auditor. This distinction between Other Auditors and Related Auditors – in comparison to ISA 600 currently in force – will reduce the scope of applying the “Division of Responsibility”.</p> <p>Although we understand the matter of the IAASB that – due to practical implementation issues – the “Division of Responsibility” should be retained as an alternative approach, we do not fully agree with granting the auditor with the possibility to voluntarily select one of the methods. The wording of the standard should clearly state that the “Division of Responsibility” should only be accepted in exceptional cases where some or all of the additional requirements for “Sole Responsibility” cannot be fulfilled. We would anticipate that due to such a changed wording the acceptance of “Sole Responsibility” will increase. We believe that all relevant stakeholders on the capital markets will accept – if not in short term – at least in mid term the “Sole Responsibility” as best practice if not as only acceptable approach for audits of group financial statements.</p> <p>We are aware of the possible impact on national standards or national law and regulations in IFAC member states where “Division of Responsibility” is permitted. The emerging pressure on such standards and regulations can help to reach the main intention of the IAASB: To promote consistent practices by auditors worldwide, here to be considered as the “Sole Responsibility”.</p> <p>We furthermore agree with the idea of not implementing any requirement that a certain percentage of work must be performed directly by the Group Auditor. In implementing such a regulation the professional judgment of the Group Auditor would be limited. Applying the “Sole Responsibility” the Group Auditor is fully liable for the whole Group Audit even if he used the work of Other Auditors or Related Auditors in accordance with the revised ISA 600. The full liability of the Group Auditor can be considered as appropriate and possibly as the best practice approach and regulator to ensure a high quality audit of the whole group financial statements.</p> <p>In addition, we believe that a regulation requiring a certain percentage of work to be performed by the Group Auditor</p>		

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		<p>would lead to even more concentration on the auditing and assurance market and, consequently, would weaken the situation for mid-tier accounting firms or independent networks acting as Related Auditors. Nevertheless, the threshold mentioned in IAPS (paragraph 12) that it will be unusual to accept an engagement to audit group financial statements where Group Auditors and Related Auditors directly perform work on less than approximately 50% of certain criteria, does not contradict our aforementioned statement since the possibility to involve Related Auditors has been included.</p> <p>To implement only the concept of “Sole Responsibility” would be also in line with the</p> <p>Proposal for a Directive of the European Parliament and of the Council on statutory audit of annual accounts and consolidated accounts and amending Council Directives 78/660/EEC and 83/349/EEC/* COM/2004/0177 final - COD 2004/0065 */</p> <p>(for full text please see:</p> <p><a href="http://www.europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&amp;lg=EN&amp;numdoc=52004P0177&amp;model=guichett">http://www.europa.eu.int/smartapi/cgi/sga_doc?smartapi!celexapi!prod!CELEXnumdoc&amp;lg=EN&amp;numdoc=52004P0177&amp;model=guichett</a>)</p> <p>Article 27 (a) of the aforementioned proposal for a directive states clearly that only the concept of “Sole Responsibility” will be allowed in the European Union if the directive will be adopted as proposed. The European Commission states clearly that the Parmalat case is the reason for this decision.</p>		
35.19	RMAHA-DEVAN	I agree that division of responsibility as an alternative approach be retained even when the appointment explicitly mentions or allows.		
35.20	RREGAL	I do not agree with the way that the International Auditing and Assurance Standards Board (IAASB) has dealt with the matter of divided responsibility. The International Accounting Standards Committee (IASC), as it then was, achieved real credibility as a standard setter only when it abandoned its practice of allowed alternative treatments. As the IASC found, allowed alternatives do not help the process of convergence, they hinder it. The IAASB should find it easier to remove this allowed alternative than the IASC did for some of its alternatives. The IASC had to ask countries to adopt treatments that they had previously prohibited or that ran counter to current practice. This would not be the case if the IAASB decided not to allow divided responsibility. I am not aware of any country that requires divided responsibility,		

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		<p>only of countries that offer the auditor the ability to choose a method of work that makes divided responsibility appropriate. Those countries still permit sole responsibility audits. On the other side of the argument there are many countries that prohibit joint responsibility audits so making it harder to disallow sole responsibility audits should the IAASB decide that that is the allowed alternative that will have to go. In the context of financial reporting standards, the problems of allowed alternative treatments can be mollified by disclosure, particularly disclosure of the effects of the chosen treatment. This is not possible for auditing standards as there is no mechanism for the auditor to calculate, far less disclose, the effect of using different audit methods.</p> <p>If the IAASB believes that divided responsibility is a valid operational model, as it must do to permit its use at all, then it should set out clearly the factors that make it particularly appropriate and the circumstances where it would be more appropriate to issue a divided responsibility report or a single responsibility report. The IAASB could then note that in certain jurisdictions divided responsibility reports are not permitted. The wording of the exposure draft, which prohibits it unless allowed by national standards, laws or regulations offers the worst of all worlds. It gives the impression that divided responsibility is not a valid model and makes the determination of what is an audit in accordance with International Standards on Auditing (ISAs) subservient to national standard setters.</p> <p>The IAASB has the sole jurisdiction for deciding what is an audit in accordance with ISAs; a jurisdiction that is not subject to any national body for court. National rules can decree that certain procedures are not necessary for an audit in accordance with national standards but an audit so conducted is not an audit conducted in accordance with ISAs. If the IAASB should wish to remove the division of responsibility option it can do so. Auditors in countries that allow it then have a clear choice of conducting their audits to comply with both international and national standards or conducting their audits to comply with national standards only.</p> <p>Furthermore, the manner in which the exposure draft is currently written does not make it easy for the standard to be applied consistently. Most countries that allow divided responsibility reporting allow it for all audits, not just for group audits. The exposure draft allows it only for group audits. Why? If divided responsibility is acceptable at all then it is surely acceptable for all audits. If the sole decision as to whether divided responsibility is to be allowed is a decision that is left to national standard setters then the IAASB should not restrict its use to group audits unless national standards do. There is also the problem that not all countries necessarily allow or prohibit divided responsibility in the</p>		

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		<p>same circumstances. Country A might prohibit divided responsibility, Country B might prohibit it in all but certain circumstances and Country C might prohibit it in all but certain circumstances that are different from those in which country B allows it. An auditor working and reporting in Country C might know that the report will be circulated in Countries A and B but will presumably use Country C's rules for determining the question of divided responsibility. If the auditor issues a divided responsibility report what are the readers in countries A and B to make of it? Readers in country A, who are unused to divided responsibility reporting, will look first to the ISAs (because the audit report will say the audit has been conducted in accordance with ISAs) and find nothing. If they look harder they will find a reference to the auditor following national standards and so might investigate the auditing standards of Country C. The reader in Country B is even worse off. Being used to divided responsibility reports he is likely to assume that the conditions for their application in ISAs are similar to the conditions for their application in national standards. Such confusion can surely not be in the interests of convergence.</p> <p>National standards may use the current wording of the exposure draft in such a manner that allows auditors to exempt themselves from the requirements of ISAs and yet still say that they have conducted an audit in accordance with ISAs or in a way that allows auditors to avoid issuing a limitation of scope qualification. For example, one country permits (indeed, encourages) a divided responsibility report in circumstances where it may be impracticable for the group auditor to review the other auditor's work or use other procedures to satisfy himself as to the work performed by the other auditor. It seems to me that the proper response to such circumstances is for the auditor to issue a qualified opinion (or for him not have accepted the audit in the first place) rather than to allow the auditor to issue an unqualified opinion and merely indicate in the report that he has not fully audited certain parts of the financial statements.</p> <p>The standard does not deal with how the reader of a divided responsibility audit report will satisfy himself as to the nature of the work done on the portions of the financial statements that the group auditor has not audited. There is no indication as to whether those portions have been audited at all and if so whether that audit has been conducted in accordance with ISAs. In such circumstances I think it would be a travesty if the group auditor's report were to indicate that the audit of the group's financial statements had been conducted in accordance with International Standards on Auditing when parts of the same report indicated that it has not been.</p> <p>The standard as currently drafted means that in a divided responsibility audit the following black letter requirements</p>		

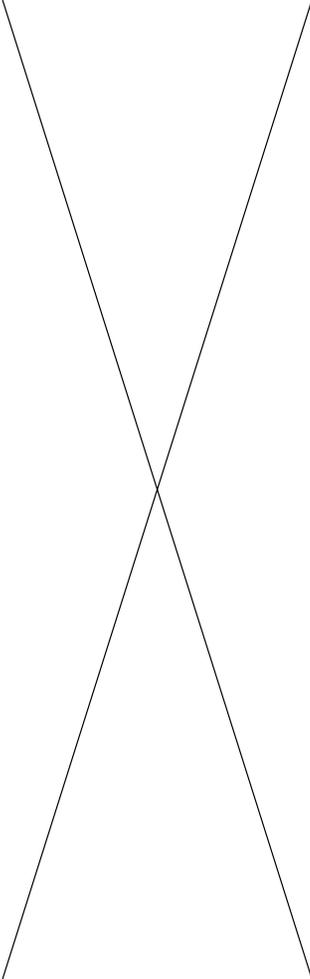
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35.21	GT	<p>that have no relevance to the shifting of responsibility are no longer black letter requirements:</p> <ul style="list-style-type: none"> <li>(a) considering whether the group auditor’s involvement is sufficient to be able to act as the group auditor;</li> <li>(b) considering the professional qualifications, independence, professional competence and resources of the other auditor; and</li> <li>(c) determining the audit procedures to be performed on the consolidation.</li> </ul> <p>It seems to me that as the group auditor is still responsible for the opinion on the group financial statements as a whole then these should remain black letter requirements even for divided responsibility audits. Similarly the drafting means that the following requirements are also no longer black letter requirements for divided responsibility audits even though very strong arguments could be advanced for making them so:</p> <ul style="list-style-type: none"> <li>(a) communicating the group auditor’s requirements to the other auditor; and</li> <li>(b) considering whether the findings of the other auditor have an effect on the report on the group financial statements.</li> </ul> <p>It would be possible for the standard to be drafted in such a way that national standards determined whether, and the extent to which, it was possible to use divided responsibility reporting and ISAs determined the work the group auditor should do on a divided responsibility audit. Whilst I do not think that that would be particularly desirable, it would at least allow for consistency in the application of ISAs to group audits.</p> <p>The bold letter sentence in paragraph 35 is incomplete. As written it seems to imply that if the group auditor decides to divide responsibility then the entire audit follows relevant national standards (rather than ISAs). This cannot have been the IAASB’s intent. As stated above, I believe that the IAASB should not allow division of responsibility and that if it does allow it should make its own rules for when division of responsibility is appropriate. However, if the IAASB does want to cede to national standard setters some ability to decide what constitutes an audit in accordance with ISAs then it should state clearly the areas where national standards will determine the requirements.</p> <p>We support the retention of the concept of division of responsibility within the proposals, specifically when national</p>		

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		<p>standards, law or regulation allow such division. However, additional clarification and guidance is needed with respect to when such division is appropriate, the necessary procedures to be performed, and reporting. It should be noted that we would not be in a position to support the exposure draft where (a) such division was disallowed, and (b) the requirements with respect to taking sole responsibility are not substantially enhanced (as discussed below).</p> <p>As stated above, we concur that a division of responsibility should only be allowed when “national standards enable and national law or regulation permits” such division. We believe that the proposed revised ISA 600 should further clarify that the simple adoption of International Standards on Auditing as national standards does not permit such division of responsibility. In addition, although a cross-reference (within paragraph 37) has been provided to paragraphs 8 and 9, it should be made clear that the group auditor must still audit the clear majority of the organization (as discussed above). We further believe that the group auditor should obtain additional acknowledgements from the other auditor that he or she is (a) independent and (b) aware that the group auditor will refer to his or her audit of the component in the group auditor’s report. We believe the group auditor should also perform the following additional procedures; such procedures and results thereof should be documented:</p> <ul style="list-style-type: none"> <li>• inquiring of the other auditor with regards to significant risks of material misstatement at the component, including the nature of such risks (e.g., fraud), the response, and the results thereof</li> <li>• exchanging knowledge of existing relationships, including the names of known related parties, and the extent of group and component management involvement in material transactions</li> <li>• inquiring of the other auditor with regards to uncorrected misstatements and material weaknesses in internal control and evaluating the impact of such matters on the group financial statements</li> <li>• obtaining a letter of representation from the other auditor regarding whether his audit of the component revealed matters that, in his or her opinion, might have a material effect on the group financial statements and would require disclosure in the notes thereto.</li> </ul>		
35.22	ICPA Kenya	We do not support the retention of the “division of responsibility” alternative to sole responsibility. First it is our considered view that responsibility can never be effectively divided where one auditor has the over all responsibility on the financial statements. It therefore results into confusion when the group auditor is disclosing in the group		

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		<p>auditor’s report on the group financial statements the magnitude of the portion of the group financial statements audited by the other auditor. This amounts to disclaiming responsibility on the financial statements of the component (s) in question which effectively sends the wrong signal on the reliability of the financial statements of the group.( Paragraphs 38)</p> <p>Due to its inherent weaknesses this approach should only be allowed when it is required by national law and regulation. It is our belief that the question of national standards does not arise where the country has adopted IFRS as the reporting framework or ISA as the basis for auditing. Paragraph 35 as worded in the ED opens the choice to abuse where an entity wishes to use it for the wrong reasons.</p> <p><i>We are proposing that the alternative be dropped or if it is to be retained the wording of paragraph 35 be amended to read “<b>When national standards or national law or regulation require</b>, the group auditor may divide responsibility for the audit opinion on the group financial statements. If the group auditor decides to divide responsibility for the audit opinion on the group financial statements, the group auditor should follow the relevant national standards and national law or regulation</i></p>		
35.23	AuASB	<p>We note the applicability of the guidance about division of responsibility is subject to national law or regulation permitting an auditor to divide responsibility for the audit opinion on the group financial report. In Australia, it can be clearly inferred from the requirements of our <i>Corporations Act 2001</i> dealing with the auditor’s reporting responsibilities for the audit of a consolidated financial report that division of responsibility is not permitted for audits of consolidated entities. This is also probably the case for other non-corporate entities regulated under State and Territory legislation. Accordingly, when these pronouncements are issued, suitable amendments need to be incorporated in the Australian equivalent Auditing and Assurance Standard.</p>		
35.24	APB	<p>The proposed revised ISA promulgates the concept that the group auditor should take sole responsibility for the audit opinion on the group financial statements. In certain circumstances, however, it also permits the group auditor to ‘divide’ responsibility with an other auditor.</p> <p>The APB strongly believes that the group auditor should be required, in all cases, to take sole responsibility for the audit opinion on the group financial statements and, accordingly, to determine that the work of related and other</p>		

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35.25	DTT	<p>auditors is adequate in the context of the group financial statements. The APB believes that such an approach is necessary to underpin the quality of group audits and thereby serve the needs of the addressees of the auditor's report on the group financial statements. In particular:</p> <ul style="list-style-type: none"> <li>• In a risk assessment approach to the audit, it is important for the group auditor to obtain a sufficient understanding of the group as a whole in order to properly assess the risks of material misstatement in the group financial statements and to ensure that appropriate audit procedures are designed and performed in response to those risks. It may be difficult for the group auditor to obtain such an understanding if simply relying on an other auditor's work in relation to significant components of the group.</li> <li>• The users of the auditor's report need to understand who is ultimately responsible for the auditor's opinion on the group financial statements.</li> </ul> <p>In the light of recent corporate scandals such as Parmalat, where division of responsibility is receiving unfavorable scrutiny, the APB believes that it would be very undesirable for the IAASB to adopt a position that could be detrimental to the capital markets' perception of the integrity and standing of ISAs.</p> <p>The Explanatory Memorandum to the exposure draft indicates that the IAASB proposes to permit division of responsibilities due to 'practical implementation issues and in the interest of convergence of national standards with international standards'. Division of responsibilities is currently permitted in only a small number of countries; by including it in ISA 600, the APB believes that the IAASB may inadvertently allow the practice to spread and, in so doing, promulgate an inferior audit approach that will be contrary to the IAASB's mission of establishing high quality auditing standards. The APB believes strongly that the facilitation of convergence of national standards with international standards should not be at the expense of making compromises that fundamentally weaken ISAs.</p> <p>We believe audits conducted under one quality control process and audit methodology best protect the public interest. By involving only one auditor*, communications will be improved and better consistency of audit procedures achieved. Accordingly, we believe there usually should be only one auditor (including related auditors) involved in an audit of group financial statements. Although we do not believe the auditing standards should mandate that one auditor perform the entire audit, we do believe those charged with governance and auditors should critically evaluate</p>		

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		<p>the reasons for having multiple auditors and whether using multiple auditors is consistent with appropriate audit effectiveness.</p> <p>*The term “one auditor,” as used throughout this letter, is meant to include “related auditors” who operate under the same quality control system, using the same audit methodology. This is consistent with the strengthened definition of “related auditor” we recommend on the last page of this letter.</p> <p>However, we do recognize that there are legitimate circumstances in which the use of only one auditor is not feasible, for example in the case of an acquisition or joint venture. In these situations, we strongly believe that the group auditor must perform more stringent, additional procedures than those currently proposed in the exposure drafts. If the procedures which we recommend throughout the remainder of this letter are <i>required</i> of the group auditor in a “multiple auditor” approach, then we believe it would be appropriate for the group auditor to perform such procedures and assume full responsibility for the group audit.</p> <p>The proposed standard and guidance provide much needed improvement in defining the requirements of the group auditor. We agree with the direction of these improvements but question whether they go far enough. To better serve the public interest and improve investor confidence in the capital markets, we strongly believe there needs to be a much clearer description of the work the group auditor should perform in order to take “full responsibility.”</p> <p>Our main concern is that, in the proposed revised ISA 600, we believe the proposed requirements to be performed by the group auditor are not necessarily sufficient to take “full responsibility” for the group audit. Currently, when an audit is conducted by multiple auditors the public generally is not made aware that multiple auditors may have performed the audit yet, especially where auditors conducting an audit of a group do not have common methodologies and quality control processes, the assurance the group auditor has obtained may vary widely depending on the work they perform related to the parts of the group they do not audit directly.</p> <p>Below is a scenario that illustrates our concern related to transparency of this issue to readers of the audit report.</p> <p><u>Scenario</u></p> <p>Company A and Company B are, for the purpose of this discussion, identical – they operate in the same industry, are the same size and have facilities in the same locations. Company A is audited directly by one auditor, auditor X.</p>		

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		<p>Company B is audited 55% by one auditor, auditor X, and 45% by another auditor, auditor Y – auditor X and auditor Y are in no way related. Auditor X takes full responsibility for both audit A and audit B.</p> <p>Due to a lack of mandatory requirements in the proposed revised ISA 600, auditor X is not <i>required</i> to perform any direct procedures on the components which comprise the 45% of Company B audited by auditor Y. It is also possible in this situation that auditor X may not review <i>any</i> audit evidence from auditor Y. As currently written, proposed revised ISA 600 only <i>requires</i> the group auditor to consider items such as the professional qualifications and independence of the other auditor, communicate with and obtain written communications from the other auditor, and consider the findings of the other auditor. However, auditor X is still permitted to assume full responsibility for the audit of Company B.</p> <p>Therefore, when a user of the financial statements reads the audit reports for Company A and Company B as produced by auditor X, there is no difference between the two reports. However, the work effort required of the group auditor (auditor X) and the evidence to be obtained by the group auditor as mandated in the proposed revised ISA 600 is significantly different for both audits. Accordingly the level of assurance obtained in both audits is also significantly different.</p> <p>The combined work of auditor X and auditor Y in audit B may be the same as the total work performed by auditor X alone in audit A. However, if auditor X does not perform sufficient procedures directly on Company B, auditor X is relying solely on communications with auditor Y as audit evidence. This is inherently riskier when X and Y are not related and do not have established lines of communication, similar audit methodologies and common quality control processes to rely on.</p> <p>In order to be transparent to the public and readers of the audit report, we strongly believe that:</p> <ol style="list-style-type: none"> <li>(1) The audit reports in this scenario should be the same only when the level of assurance obtained in both situations (and, therefore, effectiveness of the audit and quality of the audit report) is the same.</li> <li>(2) If the level of assurance obtained by auditor X is not the same for both audits, it is in the public interest for the reader to be made aware in the audit report that more than one auditor participated in the group audit. For example, in the case of joint audits in France, readers are made aware in the audit report that multiple auditors were involved.</li> </ol>		

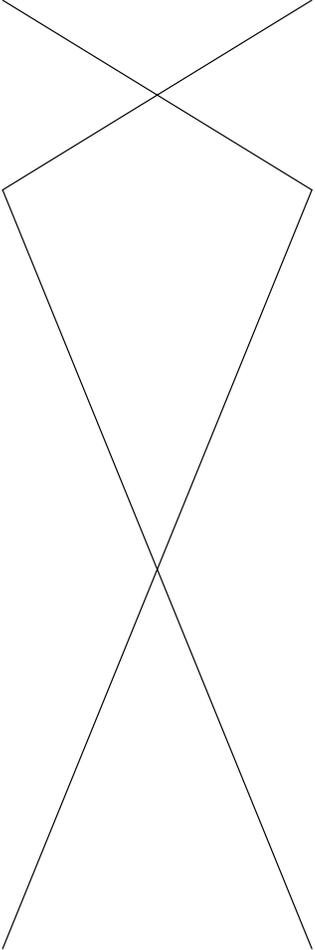
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35.26	ICANZ	<p>We strongly believe that the preferable approach is to require that “the level of assurance required to be obtained by the group auditor” in each of the two audits be equivalent. Accordingly, we believe that the proposed requirements in ISA 600 need to be strengthened. This can be accomplished mostly by bringing guidance from the proposed IAPS into ISA 600 and, as described below, creating additional specific requirements for the group auditor.</p> <p>On a separate note, we also recommend that the IAASB consider issuing a practice statement on joint audits, to improve consistency in practice of this related issue, especially in situations where there are joint auditors of a parent company (i.e., the auditors are “jointly” the group auditor). There is guidance in French and Danish literature which may be useful as a starting point for developing the practice statement.</p> <p><u>Recommendation 1 – change the terminology from “sole responsibility” to “full responsibility”</u></p> <p>We believe that the word “full” should be used in both ISA 600 and the IAPS instead of “sole,” as this term better articulates the concept that the group auditor is taking responsibility for the work of others. The word “sole” can be defined as “having no sharer,” “being the only one,” “functioning independently and without assistance or interference,” all of which imply that other auditors were not involved at all, which surely is not the case in most circumstances when the group auditor takes “sole responsibility.” Accordingly, we recommend that the term be changed to “full responsibility.”</p> <p>As discussed below we consider that sole responsibility is the preferred approach with respect to the audit of group financial statements. We understand the rationale for retaining division of responsibility as an alternative approach. However, we believe that the IAASB should work to eliminate alternative auditing methods in order to improve the quality of audit practices adopted internationally.</p> <p>The proposed ISA 600, paragraph 35, states “If the group auditor decides to divide responsibility for the audit opinion on the group financial statements, the group auditor should follow the relevant national standards and national law or regulation.” Paragraph 37 sets out the group auditors procedures when the group auditor divides responsibility. Our concern is that defaulting to national standards, laws or regulation may allow auditors in some jurisdictions to adopt audit practices of a lower standard that those set out in paragraphs 37 to 41 of the proposed ISA.</p> <p>In addition, we do not believe it is appropriate for International Standards on Auditing (ISAs) to refer to national</p>		

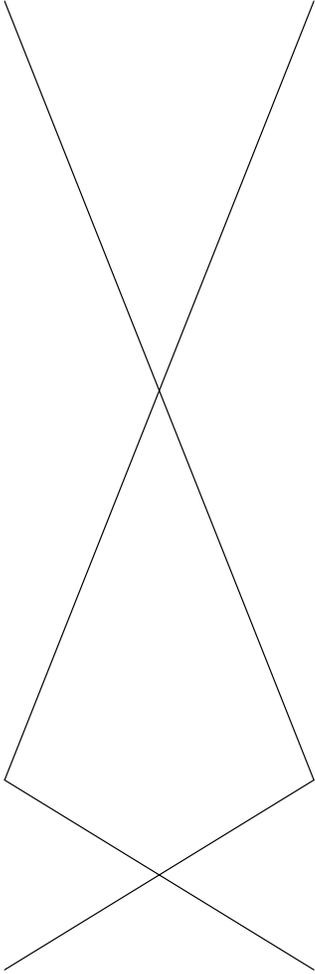
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35.27	AICPA	<p>standards because doing so undermines the credibility and the objective international standards. The objective of ISAs is to establish audit requirements that auditors should at a minimum comply with. It is appropriate for national standards to introduce additional or more stringent requirements than those required in an ISA. In this circumstance compliance with national standards will ensure compliance with ISAs. However, an unqualified reference to national standards within an ISA will result in inconsistent and potentially lower quality audit practices and at the same time allow auditors to state they have complied with ISAs.</p> <p><b><i>We recommend ISA be amended to make it clear that it establishes the minimum standards that must be followed with respect to division of responsibility.</i></b></p> <p><i>Clarify application of division of responsibility</i></p> <p>Paragraph 5 sets out the circumstances in which group auditors may decide to divide responsibility. If the IAASB decides to retain division of responsibility paragraph 35 should include reference to paragraph 5 to clarify application of the standard and remind auditors of the circumstances in which division of responsibility is permitted.</p> <p>To implement our suggestions set out in paragraphs 2.11 to 2.14 we recommend paragraph 35 be amended by deleting the first sentence and including a reference to paragraph 5. If this suggestion is agreed consequential amendments will be required.</p> <p><b><i><u>If, in accordance with paragraph 5, the <del>group auditor decides to divide</del> responsibility for the audit opinion, the <del>group</del> auditor should follow the procedures specified by the relevant <del>national standards and</del> national law or regulation, provided such procedures comply at a minimum with the requirements and guidance set out in paragraphs 36 to 41.</u></i></b></p> <p>We support the retention of the concept of division of responsibility in the proposed ISA. However, we do not believe that the proposed documents provide enough guidance to auditors who plan to divide responsibility. We believe the document would be significantly strengthened by providing more guidance on the issues the auditor should consider when deciding whether to divide responsibility.</p> <p>We believe that an effective audit can be achieved with division of responsibility as well as under sole responsibility. In order for an effective audit to be achieved under division of responsibility, we believe that the following criteria</p>		

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		<p>must be met:</p> <ul style="list-style-type: none"> <li>The group auditor must audit a significant portion of the group (as provided for in paragraph 12 of the IAPS);</li> <li>The group auditor must be satisfied as to the reputation, ethical characteristics and independence of the other auditor (as provided for in paragraph 15 of the IAS);</li> <li>The group auditor must determine that the other auditor has the appropriate auditing and financial reporting skills and competence (as provided for in paragraph 15 of the IAS);</li> <li>There must be interactive communications between the group auditor and the other auditor, including discussion of significant matters and the other auditor’s findings (as provided for in paragraphs 21 to 24 and 29 to 30 of the IAS);</li> <li>Each of the component audits being referred to must have been conducted at a level of materiality appropriate to the components and not at a level of materiality greater than the materiality of the group;</li> <li>The group auditor must obtain an auditor’s report issued in accordance with the ISAs from the other auditor; and</li> <li>The division of responsibility must be made transparent to the users of the financial statements through the auditor’s report (refer to the illustrative language described below);</li> </ul> <p>All of these requirements should be included in the ISA under the division of responsibility section.</p> <p>We strongly support the retention of the concept of division of responsibility in the proposed ISA. There are important issues of public policy that have a bearing on our views.</p> <p><i>Public Policy Issues</i> In the situation where the group auditor has used the work of an other auditor, but decides not to assume responsibility for the work of the other auditor, we believe that it is important for the users of financial statements to understand that a significant part of the audit was completed by an other auditor. In fact, we believe that, in some cases, if the group auditor were not to make reference to the work of the other auditor in the audit report, it would be misleading to the users of the financial statements.</p> <p>- Eliminating division of responsibility may reduce the ability of small and medium sized audit firms to participate in national and international audits. For example, a small audit firm (the “group auditor”) may audit a company that has a subsidiary in another location. It may not be practicable for the group auditor to perform the audit of the subsidiary, so</p>		

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		<p>another audit firm audits the subsidiary and issues a report. The group auditor uses the work of the other auditor and determines that it is appropriate to refer to their work in the group auditor's report. Removing the ability of small and medium sized audit firms to refer to the work of the other auditor may promote the transference of work by multi-location or multi-jurisdiction entities to the large auditing firms, effectively cutting out the small and medium sized audit firms from certain engagements.</p> <p>We believe that there are important practicality and cost implication issues associated with not having division of responsibility.</p> <p><i>Practicality.</i> There are certain circumstances where it is almost impossible for a group auditor to avoid using the work of the other auditor, for example in the case of an equity investee. The equity investee appoints its own auditor. The group auditor may not be able to obtain sufficient access to the other auditor or to the equity investee to be able to allow the group auditor to take sole responsibility for the group financial statements. In that case the auditor may have no choice but to use the work of the other auditor or be faced with having to make a decision to disclaim an opinion due to a scope limitation. Alternatively, the investor entity may be forced to change auditors to align with the auditor used by the equity investee to avoid an unfavorable opinion. In some cases, for example, joint ventures with multiple investors, there may be a number of auditors for the investor entity other than the auditor for the equity investee.</p> <p><i>Cost.</i> If the group auditor is not permitted to refer to the other auditor's report it may lead to the entire audit of a component essentially being re-performed. The component would incur additional costs, in terms of both the monetary cost of the additional procedures and the personnel time taken to satisfy the group auditor's requirements.</p> <p>Although we are pleased that the IAASB has retained the division of responsibility in the proposed ISA, we do not believe that the proposed ISA is sufficiently comprehensive in its guidance on division of responsibility and that the following additional guidance should be provided:</p> <p><i>Considerations for the group auditor in determining whether or not to refer to the other auditor in the auditor's report.</i></p> <p>The group auditor should consider among other things, the significance of the portion of the financial statements that he or she has audited in comparison with the portion audited by other auditors, the extent of knowledge of the overall financial statements, and the importance of the components audited in relation to the entity as a whole.</p>		

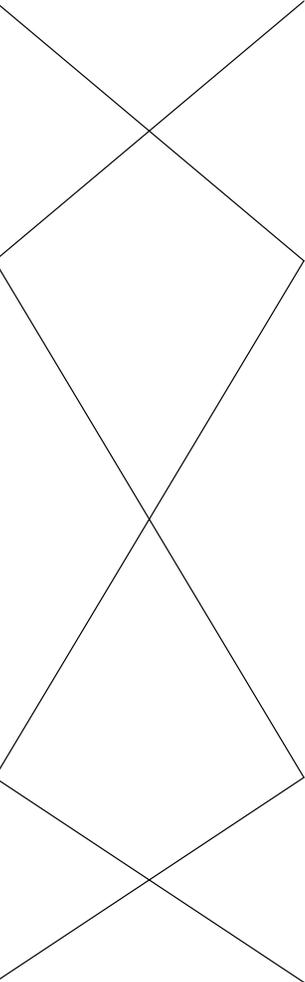
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35.28	NYSSCPA	<p>In some situations, it may be impracticable for the group auditor to review the other auditor’s work or to use other procedures which would be necessary to satisfy the group auditor as to the audit performed by the other auditor. This may be the case, for example, where the other auditor prepares work papers in a language other than that used by the group auditor, and where the entity’s documents cannot be readily understood by the group auditor for language or other reasons.</p> <p><i>Illustrative wording of the audit report when division of responsibility has been used.</i></p> <p>It would be helpful for the ISA to have an example of an audit report that makes reference to the work of the other auditor. The group auditor’s report should indicate clearly, in the introductory, scope and opinion paragraphs, the division of responsibility between the portion of the financial statements covered by the group auditor and that covered by the audit of the other auditor. The report should disclose the magnitude of the portion of the financial statements audited by the other auditor.</p> <p>The introductory paragraph should include a statement such as the following:</p> <p>We did not audit the financial statements of B Company, a wholly-owned subsidiary, which statements reflect total assets and revenues constituting 20 percent and 22 percent, respectively, of the related consolidated totals. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for B Company, is based solely on the report of the other auditors.</p> <p>The scope paragraph should include a statement such as the following:</p> <p>We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.</p> <p>The opinion paragraph should include a statement such as the following:</p> <p>In our opinion, based on our audit and the report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects...</p> <p>Division of Responsibility (page 5 of the “explanatory memorandum” and paragraph 35): Even if national standards or laws permit division of responsibility, the international standards do not have to follow; they could and should require the group auditor to take responsibility. If national standards do not permit division of responsibility, then the</p>		

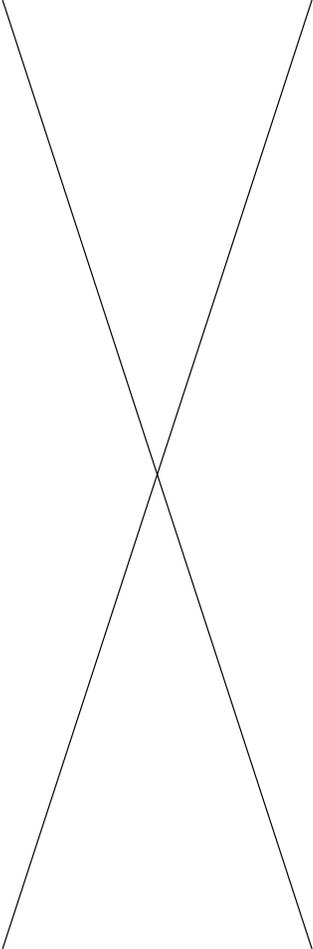
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35.29	IDW	<p>international standards could still allow it. That would just mean that an unqualified auditors' report would not meet the entity's requirements for that jurisdiction; it should not make it violation of the international standards. Further, if following national standards results in not meeting IAS standards, then a qualification of the audit opinion should ordinarily result under international auditing standards. Likewise in paragraph 37, if one or more auditors failed to comply with IAS (e.g., national standards differed from ISA's), then there may be a scope limitation or qualification.</p> <p>ISA 600 (Revised) (hereinafter referred to as the "Standard") retains "division of responsibility" as an option for group auditors. The retention of division of responsibility is usually associated with the view that there are circumstances where the group auditor is not in a position to obtain the information about components of the group and therefore responsibility (and hence liability) ought to be divided between the group auditor and the other auditor.</p> <p>We question whether "division of responsibility" has any technical merit with respect to consolidated financial statements. Unless one is dealing with combined financial statements of a group (which are generally not required by law, regulation or accounting standards and hence are generally prepared on a voluntary basis), pursuant to most financial reporting frameworks, "control" is a prerequisite for the inclusion of a component's financial statements in the consolidated financial statements of a group. It would be hard for group management to argue that they exercise control over a component when they are not in a position to demand the information from component management or the auditor of the financial statements thereof that the group auditor requires to express an opinion on the group financial statements (within the limits imposed by secrecy, data security, confidentiality and privacy laws and standards). Furthermore, the existence of related party transactions and balances between the portion of a group audited by the group auditor and that portion of the group audited by other auditors may mean that division of responsibility, which involves less communication between the group auditor and other auditors, may lead to the risk that the group auditor has based his or her portion of the audit on misconceptions or incomplete information. Consequently, division of responsibility increases the risk of miscommunication between the group auditor and other auditors.</p> <p>Consequently, we do not believe that retention of division of responsibility for consolidations for group financial statements has any real technical merit.</p>		

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35.30	Basel	<p>The situation is somewhat different from the application of equity accounting methods to the financial statements of associated enterprises. Group management is generally not in a position to require management of an associated enterprise or the auditor of the associated enterprise’s financial statements to provide group management or the group auditor with the information that the group auditor may require to express an opinion on the group financial statements. However, division of responsibility in connection with the application of the equity method does entail the miscommunication risks noted above. On this basis, while we believe that there are better grounds for the retention of division of responsibility for the application of the equity method than for consolidations, on balance the continued existence of miscommunication risks suggests that the retention of division of responsibility may lead to increased risks of inappropriate audit opinions.</p> <p>While we recognize that the securities authorities in the single largest national capital market currently allow division of responsibility, we are unsure as to whether, in light of recent developments (e.g., Parmalat), this position may be subject to change. In any case, in Germany the IDW Hauptfachausschuss [Auditing and Accounting Board] recently chose to strengthen the responsibilities of group auditors with respect to the work of other auditors upon which the group auditor may rely in forming an opinion on the group financial statements. Furthermore, the current revision to the EU Eighth Directive proposes to require sole responsibility and thereby would eliminate the ability of statutory auditors within the EU to opt for division of responsibility in those few jurisdictions in the EU where this had been possible.</p> <p>Given these political developments and the noted risks of division of responsibility, we ask whether it is politically opportune for the IAASB to continue to retain division of responsibility as an option for group auditors. We would strongly recommend that the IAASB, as the international standards setter, take a political and technical stand on this issue by choosing to prohibit division of responsibility in the Standard.</p> <p>The proposed revised ISA 600 deals with both “sole responsibility” and “division of responsibility.” “Division of responsibility” has been retained as an alternative approach to “sole responsibility.” We believe this to be a key issue in the proposed revised Standard. The Committee’s strong preference is for the group auditor to take "sole responsibility" for the audit of the group financial statements unless the group auditor is actually required to adopt the "division of responsibility" approach. The Committee believes that the “Division of Responsibility” section should</p>		

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		<p>only be retained for any (rare) cases in which national law or regulation requires the group auditor to divide responsibility for the audit opinion on the group financial statements.</p> <p>We are unable to see the logic underlying the Board's proposal that auditors in some jurisdictions be allowed to choose which of the two approaches to adopt. We also note</p> <p><sup>1</sup> The Basel Committee on Banking Supervision is a committee of banking supervisory authorities, which was established by the central bank Governors of the Group of Ten countries in 1975. It consists of senior representatives of bank supervisory authorities and central banks from Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom and the United States. It usually meets at the Bank for International Settlements in Basel, where its permanent Secretariat is located.</p> <p>that the guidance in the IAPS deals exclusively with cases in which the group auditor takes sole responsibility and that only very limited guidance on division of responsibility is included in the (draft) revised standard. This appears to reflect a lack of conviction on the part of the Board that the "division of responsibility" approach is ever desirable.</p> <p>Therefore, we recommend a revision of the first sentence of paragraph 5 of ISA 600 as follows: "Unless national standards enable and national law or regulation <i>requires</i> the group auditor to divide responsibility for the audit opinion on the group financial statements (referred to as "division of responsibility"), the group auditor should take sole responsibility for the audit opinion on the group financial statements." Corresponding changes would need to be made to the section of ISA 600 dealing with "<i>division of responsibility</i>".</p> <p>The final sentence of paragraph 35 of ISA 600 directs the group auditor to inform those charged with governance of the group of a decision to divide responsibility. Whenever there is to be a "division of responsibility," the Committee recommends that the group auditor should obtain written acknowledgement and confirmation from those charged with group governance that they understand that there will be divided responsibility for the audit opinion on the group financial statements (regardless of whether paragraph 5 and related paragraphs of ISA 600 on "division of responsibility" are revised as discussed in the preceding paragraph).</p> <p>Finally, the Committee is concerned that the proposed wording of the revised standard is such that the two audit models, "sole responsibility" and "division of responsibility" will be permitted to continue indefinitely. Recent</p>		

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		<p>corporate scandals underline the importance of a robust group audit model and our comments indicate that the Committee has a strong preference for the “sole responsibility” approach. If, after having reviewed the comments received, the Board decides to retain the “division of responsibility” approach in situations other than where it is required by national law or regulation, we recommend that the Board indicate its preference for the “sole responsibility” approach and its intention to regularly review the benefits and risks of the “division of responsibility” model with a view to its eventual elimination.</p>		
35.31	HKSA	<p>We do not agree with the idea of divided responsibility for the audit opinion on the group financial statements and do not support the proposed changes to ISA 600 that elevate the option of divided responsibility with other auditors as an equally valid alternative approach for the following reasons:</p> <ul style="list-style-type: none"> <li>• We cannot see how divided responsibility becomes acceptable under ISAs where national standards allow this approach, if divided responsibility is considered inappropriate in most jurisdictions worldwide (notable exceptions being the United States, Italy and some South American countries).</li> <li>• We understand the reason the IAASB has retained divided responsibility is to accommodate jurisdictions that allow this approach in their national standards. We fail to see the logic of this, as jurisdictions that wish to retain this approach within their own standards are not prevented from doing so by an ISA that lays down an obligation for sole responsibility when applying ISAs.</li> <li>• By allowing divided responsibility, the IAASB appears to be abrogating its responsibilities to set appropriate standards. This is not an appropriate message to send at a time when audit work is attracting highly critical comments on the precise topic of audits involving divided responsibility for the audit opinion on the group financial statements.</li> <li>• The group auditor has a responsibility to form an opinion on the group financial statements as a whole and therefore needs to obtain sufficient appropriate evidence on which to form that opinion. In a risk-assessment approach to the audit, it is important to obtain a sufficient understanding of the group as a whole in order to properly assess risks in that group audit. It may be difficult to obtain that information or understanding if the group auditor is simply relying on the other auditor’s work.</li> </ul>		

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35.32	KPMG	<ul style="list-style-type: none"> <li>• An opportunity to commit fraud may more readily arise when the entity is able to divide auditors between components of the group.</li> </ul> <p>If despite our strong objection divided responsibility is retained, we believe that there should be prominent disclosure regarding the identity of the other auditors as well as the information as to the portion of financial statements audited by these auditors. This information would as a minimum provide the name, place of operation and qualification of the auditors. Where there are many other auditors the full details need only be provided for those responsible for significant portions of the financial statements not under the responsibility of the group auditor.</p> <p>We recognize that certain jurisdictions enable the group auditor to divide responsibility for the audit opinion on the group financial statements with another auditor. We believe that the ISA should recognize this practice and permit reference to the other auditor in the group auditor's report in such circumstances in those jurisdictions. However, we also believe that the ISA should be very clear that the auditor performance requirements are the same whether or not reference is made to other auditors in the group auditor's report. We therefore recommend that IAASB revise the proposed ISA to require all the performance requirements outlined in paragraphs 8 to 34 of the ISA to apply whether or not the group auditor plans to refer to an other auditor.</p> <p>The term "sole responsibility" does not clearly convey the responsibility assumed by the group auditor for a group audit. Use of the word "sole" may be interpreted to mean that a group auditor acts independently with no related auditor or other auditor involvement.</p> <p>We note that the recent proposal for a Directive on statutory audit issued by the European Commission uses the term "full responsibility" for the audit report on the consolidated financial statements. We recommend that IAASB adopt this term in the ISA and IAPS since it more clearly suggests that the group auditor is responsible for the whole audit opinion irrespective of whether other auditors or related auditors are involved.</p>		
35.33	NIVRA	<p>However, while we strongly support the proposed guidance on Group Audits when the auditor assumes sole responsibility, we do not support the proposed changes to ISA 600 that elevate the option of dividing responsibility with other auditors to be an equally valid alternative approach. For the reasons we explain more fully below, we would prefer that the ISA recommend sole responsibility only, and allow divided responsibility only in very limited circumstances.</p>		

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		<p>Extant ISA 600 had been premised on sole responsibility (and expressed a preference for it) but acknowledged that local regulations in some countries permit a principal auditor to base the audit opinion on the financial statements, taken as a whole, solely upon the report of another auditor regarding the audit of one or more components. Paragraph 5 of the proposed revised ISA 600 also permits the auditor to divide responsibility for preparation of the audit opinion on the group financial statements where national standards enable and national law or regulation permit division of responsibility. In fact, the proposed revised ISA 600 effectively elevates division of responsibility to be an equal option, as the draft ISA no longer expresses a preference for sole responsibility.</p> <p>We do not support the proposal to retain the option of dividing responsibility for the following reasons:</p> <ul style="list-style-type: none"> <li>▪ The group auditor has a responsibility to form an opinion on the group financial statements as a whole and it follows logically from that responsibility that the group auditor needs to obtain sufficient appropriate evidence on which to form that opinion. In the risk-assessment approach to the audit reflected in the new Audit Risk ISAs, it is important to obtain a sufficient understanding of the group as a whole in order to properly assess and respond to risks in the group audit. It may be difficult to obtain that information or understanding if simply relying on the other auditor’s work.</li> <li>▪ Sole responsibility is consistent with a focus on audit quality as the nature, timing and extent of work on all material components in a group remain in the control of the group auditor and communications between the group auditor and other auditors is strengthened.</li> <li>▪ We are concerned that there can be a heightened risk that the group auditor will not be able to properly assess and design appropriate procedures to respond to the risks of fraud within the group as a whole when there is divided responsibility (i.e., there may be a greater opportunity for management motivated to perpetrate a fraud to "divide and conquer" because of the more limited communication between the group and component auditor).</li> <li>▪ We are also concerned about the impact of embedding alternatives in the ISAs on such an important issue at a crucial time in achieving global recognition of IAASB as a credible and recognized international auditing standard-setter</li> </ul>		

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		<p>The Explanatory Memorandum to the Exposure Draft indicates that, “after extensive deliberation of the matter the IAASB agreed that, due to <i>practical implementation issues</i> and <i>in the interest of convergence</i> of national standards with international standards, “division of responsibility” should be retained...”.</p> <p>The practical implementation issues are not explained in the Explanatory Memorandum and we are not convinced that implementation would pose an insurmountable problem. There is well-established practice in many jurisdictions globally based on the group auditor having sole responsibility in a group audit.</p> <p>We note with interest that the recently published, proposed Eighth European Union Company Law Directive contains a requirement that the group auditor bears the full responsibility for the audit report in relation to group accounts.</p> <p>We are also of the view that convergence of national standards with international standards would not necessarily be hindered if IAASB decided to make sole responsibility a requirement. We appreciate, and strongly advocate, the importance of convergence of national standards with international standards. However, we understand that in those countries that allow division of responsibility, the standards do not mandate it – it remains a choice, albeit a choice that a number of group auditors may have chosen in practice. If the IAASB adopted sole responsibility only, auditors in those jurisdictions could continue to comply with both ISAs and their national auditing standards, but their choice would be restricted to accepting sole responsibility. Doing so would not, however, put those auditors into a conflict with their standards. Furthermore, retaining the option of divided responsibility in the interest of convergence alone is not consistent with the principles-based approach to standard setting that we believe is important in promoting high quality auditing. The IAASB should be a leader not a follower in developing auditing standards and should reach its own conclusions based on the principles it believes are in the best interests of achieving the objective of high quality auditing regardless of the views of any one national standard setter.</p> <p>Those who advocate divided responsibility often cite transparency as one of the benefits. However, if the group auditor has obtained sufficient appropriate evidence to support the opinion on the group financial statements, a reference to other auditors may confuse more than it clarifies. In addition, the proposed guidance on divided responsibility in the proposed revised ISA 600 recommends that the auditor’s report indicate only the magnitude of the portion of the group financial statements audited by other auditors and makes no reference to the need to identify the other auditors. This does not seem to be significantly more transparent. In addition, the audit report need not be the vehicle to communicate</p>		

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		<p>the identity of the auditors of each of the major components in a group. Such information could be required communications with those charged with governance, for example, or even included in an entity's annual report.</p> <p>Another argument cited in support of divided responsibility is that it avoids duplication of work. However, as the proposed revised ISA 600 and the proposed IAPS explain, accepting sole responsibility for the group audit opinion does not mean that the group auditor cannot use the work of the other auditor. Undoubtedly, the group auditor must perform sufficient procedures to satisfy himself or herself regarding the professional qualifications, competence, independence and quality control processes of the other auditor and, having done so, must then determine the procedures the group auditor believes are necessary in order to be satisfied that the work performed by the other auditor provides sufficient appropriate audit evidence in the context of the audit of the group financial statements. It should not be necessary for the group auditor to reperform audit procedures at the component unless otherwise unable to satisfy himself or herself regarding the sufficiency and adequacy of the work already performed by the other auditor (for example, through inquiry, review of working papers, evidence obtained regarding the effectiveness of group controls etc.). Indeed, it is important that the ISA define clear parameters on the work effort expected of the group auditor in this regard.</p> <p>For all of these reasons, we strongly encourage IAASB to base both the proposed revised ISA 600 and the proposed IAPS on the principle of the group auditor having sole responsibility in the group audit. This would involve deleting Paragraphs 5 and 6 in the proposed revised ISA 600, as well as the section on <i>Division of Responsibility</i> in Paragraphs 35 to 41.</p> <p>However, we do recognize that there may be exceptional circumstances when it would be impracticable for the group auditor to accept full responsibility for the work of another auditor. For example, this would not be possible in situations where an entity makes a major acquisition just before the entity's accounting year-end and, given time constraints for filing of the audited group financial statements, it is not possible for the group auditor to perform the procedures necessary to obtain sufficient appropriate evidence regarding the work performed by the incumbent component auditor. There may also be circumstances when the group auditor is not given access to a component or the component auditor's working papers.</p> <p>In such circumstances, the group auditor is faced with a limitation in the scope of work necessary to accept full</p>		

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35.34	E&Y	<p>responsibility and needs to consider the impact of that limitation on the group auditor's opinion and report. As suggested in the ISA, this would ordinarily involve considering the need for a scope limitation. However, we acknowledge that in some jurisdictions and circumstances, a scope limitation may not be a viable option and dividing responsibility in the auditor's report may be the only practical way of dealing with the limitation. To accommodate these practical limitations, we suggest adding guidance to the section on reporting to allow the group auditor to refer to another auditor in the auditor's report in exceptional circumstances when it is impracticable or not possible for other reasons for the group auditor to accept full responsibility for the work of another auditor.</p> <p>We support the recognition in auditing standards that "sole responsibility" and "division of responsibility" are acceptable methods of auditing and reporting because each may result in an effective audit.</p> <p>There are a number of situations in which division of responsibility is particularly useful for auditing and reporting on group financial statements, for example:</p> <ol style="list-style-type: none"> <li>1. A parent company enters into a transaction to acquire another entity late in the fiscal year, after a significant amount of audit work has already been completed. Filing deadlines and resources do not allow the group auditor to perform sufficient audit procedures on the acquiree to assume sole responsibility.</li> <li>2. An entity has a subsidiary or investee company in a country or remote location in which: <ol style="list-style-type: none"> <li>a. The group auditor does not have an office; or</li> <li>b. There are language barriers; or</li> <li>c. There are statutory reporting requirements necessitating the use of a local auditor.</li> </ol> </li> <li>3. An entity has significant investee companies accounted for by the equity method, which are audited by other auditors. The entity does not have sufficient influence to either require a change to the investee company auditors or to require the investee's auditors to make their working papers or other information available to the group auditor.</li> </ol> <p>Under both existing and proposed International Standards on Auditing, any division of responsibility is clearly disclosed in the auditor's report. Therefore, transparency is provided to readers of the report by disclosing that more</p>		

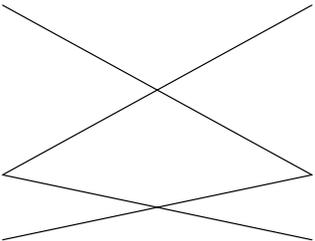
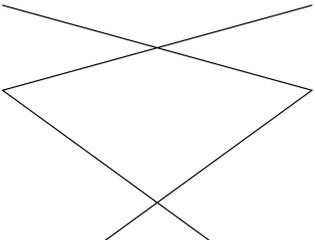
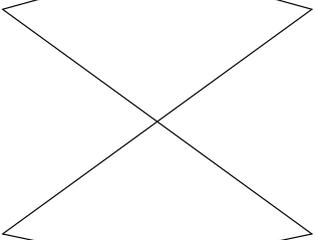
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		<p>than one auditor was involved in the audit and the extent of the work performed by each auditor.</p> <p>In many parts of the world, sole responsibility has been the normal approach for many years, and has also proved to be an effective approach. Because both methods can result in effective audits, and because the client’s circumstances will often determine which approach is most appropriate, we believe that auditing standards should continue to present both methods as acceptable, without indicating that either is a “preferable” method.</p>		
35.5	SAICA	<p>We would like to emphasise that we continue to support ‘sole responsibility’ as the only form under which an audit is conducted in the group context. However, we recommend that the term ‘sole’ responsibility is changed to ‘full’ responsibility as this is the term more commonly used in practice and will also bring the standard in line with the terminology in the Eighth Directive on combating fraud and malpractice issued by the European Commission.</p>		
35.6	IOSCO	<p><i>Responsibilities of the Group Auditor</i></p> <p>We believe that a core principle is that the auditor who signs the audit opinion - the “group auditor” (main auditor) as described in the proposed ISA and IAPS, must gather sufficient appropriate audit evidence to reach a conclusion and render an opinion on the consolidated group financial statements as a whole. This obligation of the group auditor should not be reduced because another auditor participates in part of the audit, whether or not that other auditor is mentioned and identified as having audited a component of the group entity in the group auditor’s report. An essential factor in performing a high quality group audit is that the main auditor must be in a position to evaluate the overall audit risk of misstatement in the consolidated financial statements, and therefore must be familiar with the business of the whole group. The group auditor must be able to identify the financial significance of the individual components and determine those that contain significant risks related to the whole group. In addition, the group auditor should directly perform the work on components that include significant risks related to the whole group.</p> <p><i>Sole Responsibility versus Divided Responsibility</i></p> <p>We recognize that the Exposure Draft (ED) has presented guidance for two approaches for conducting and reporting on Group Audits. We do not object to the existence of two approaches, although a majority of our members favor the sole responsibility approach. We are, however, very concerned that the ED appears to make the assumption that the amount of work done in a group audit under a divided responsibility approach requires lesser diligence by the auditor as it</p>		

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		<p>appears to require a lesser quality and/or quantity of evidence. We are also concerned that the ED provides less guidance for the divided responsibility approach.</p> <p>For example, we believe that paragraphs 10-14, and 25-28 in the ISA, now directed only at sole responsibility audits, should also be applicable to divided responsibility audits. In addition, the entire International Auditing Practice Statement (IAPS), which contains important guidance that should also be included in the body of the Auditing Standard, is presented as not applicable to the divided responsibility approach. We believe that much of the IAPS should be merged into the body of the auditing standard and that the guidance should be equally applicable to both sole and divided responsibility group audits.</p> <p>In accepting both the sole and divided responsibility approaches, the international standard must take care to put the both approaches on the same plane by providing clear and sufficient guidance to conduct a high quality group under either approach.</p> <p>We believe that the IAASB should make the fundamental assumption that the work to be performed in a group audit should generally be unaffected by whether or not the use of other auditors is mentioned in some way in an audit report in some jurisdictions. More directly stated, in our opinion the guidance should make it clear that the work required of the group auditor is the substantially the same whether the auditor decides to accept sole responsibility or divide responsibility by reference to the work of another auditor.</p> <p>If this assumption is made, the standard can be revised to require substantially the same procedures and the same degree of diligence on the part of the group auditor regardless of any potential reference to the work of another auditor. It will not be necessary for the standard to have separate presentations for sole and divided opinion audits. The ISA for group audits should present a single set of comprehensive guidance for all group audits. Separate commentary with respect to the group auditor's reference to the work of another auditor can then be presented within the body of the standard and will likely require only a few paragraphs of discussion.</p> <p><i>Mention of the Use of Other Auditors in the Auditor's Report</i></p> <p>Relying on the basic assumption that the work performed is the same in both a sole and divided responsibility group audit, users will expect that the same high degree of audit quality and accountability could be achieved in all</p>		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>circumstances. Those jurisdictions that believe that the sole responsibility approach provides greater accountability would continue to have or establish that approach as a requirement. Jurisdictions that believe that the divided responsibility approach can offer greater transparency regarding the use of other auditors in group audits could continue to allow that approach in cases where they believe it is appropriate. Separate guidance for a division of responsibility would, by and large, be unnecessary and if included in this ISA would likely focus on the circumstances that may give rise to the need for a divided responsibility approach and what type of report is given if that approach is used, rather than what type of audit work is done.</p> <p><i>International Convergence Issues</i></p> <p>The IAASB has cited convergence among national and international standards as a factor in its decision to provide coverage of both sole responsibility and divided responsibility approaches in the ED on group audits. Our members recognize and support the value of working toward convergence as part of developing high quality international auditing standards. In many jurisdictions, national auditing standards will continue to be developed and used for the foreseeable future. It would be beneficial to auditors, issuers, and investors to have national and international auditing standards be more similar and of high quality. We do not believe, however, that convergence should ever be used to justify usage of an audit approach, including divided responsibility, if Board members believe such an approach would produce inferior audits. As currently drafted, the ED could be read in that manner. If divided responsibility audits are permitted in the ISA, it should be because the Board has concluded that such an approach can be used to produce high quality audits with the right guidance. We believe the suggestions above will make it clear that whether a sole or divided responsibility is selected, the audit quality will be the same.</p>		
35.7	IOSCO	<p>Paragraph 35 – This paragraph should be deleted.</p> <p>Paragraph 36</p> <p>The group auditor may decide to divide responsibility if the component’s financial information is material in relation to the group financial statements, and the other auditor is performing an audit of, and issues an auditor’s report on, the component’s financial statements.</p>		<p>FOR ALL COMMENTS RELATING TO ED-600.35-41 REFER TO: Agenda Item 7-A, Appendix, paragraphs 2-4</p>

No.	Respondent	Respondent Comment	Process- ed	Task Force Comment / Reference
36.1	RREGAL	<p>I am not sure what purpose paragraph 36 serves. If the IAASB has decided that national rules determine when division of responsibility is (and therefore when it is not) appropriate, it cannot create its own additional rules saying when division of responsibility is appropriate.</p> <p>Paragraph 37</p> <p>When the group auditor divides responsibility for the audit opinion on the group financial statements, the group auditor's procedures are ordinarily limited to the following:</p> <ul style="list-style-type: none"> <li>(a) The acceptance and continuance procedures described in paragraphs 8 and 9.</li> <li>(b) A consideration of the professional qualifications, independence, professional competence and resources of the other auditor, and of the quality control process of the other auditor's firm as described in paragraph 15-17.</li> <li>(c) Requesting and obtaining the following acknowledgements and confirmations from the other auditor: <ul style="list-style-type: none"> <li>(i) The other auditor is aware that the component's financial information will be included in the group financial statements.</li> <li>(ii) The other auditor has a sufficient understanding of and has complied with the IFAC <i>Code of Ethics for Professional Accountants</i>, including the independence requirements.</li> <li>(iii) The other auditor has a sufficient understanding of the financial reporting framework and other statutory requirements applicable to the group financial statements.</li> <li>(iv) The other auditor has a sufficient understanding of ISAs and national requirements applicable to the audit of the group financial statements, and will perform the work on the component's financial information in accordance therewith.</li> </ul> </li> </ul>		<p>and 11-13</p> <p>Agenda Item 7-A, paragraphs 14-16</p>
				<p style="text-align: center;"><del>FOR ALL COMMENTS RELATING TO ED- 600.35-41 REFER TO:  Agenda Item 7-A, Appendix, paragraphs 2-4 and 11-13  Agenda Item 7-A, paragraphs 14-16</del></p>

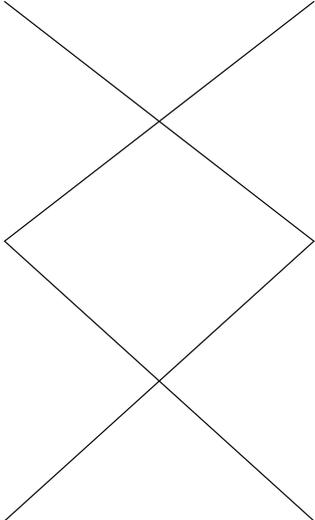
No.	Respondent	Respondent Comment	Process- ed	Task Force Comment / Reference
		<p>(v) An acknowledgement that the group auditor intends to consider and use the other auditor’s work for purposes of the audit of the group financial statements.</p> <p>(d) A review of matters affecting the elimination of inter-component transactions and accounts and the uniformity of accounting policies among the components included in the group financial statements and, where considered necessary, communicating with the other auditor in this regard.</p> <p>(e) Reading the components’ financial information and the other auditor’s report thereon to identify significant matters and, where considered necessary, communicating with the other auditor in this regard.</p>		
37.1	ICAEW	<p>The guidance in this paragraph is very similar to previous guidance and seems very limited. If division of responsibility is to be retained, we believe that the requirements should be more stringent.</p> <p>Paragraph 37 (d): this paragraph might usefully refer to the allocation of pre-and post acquisition profits, the use of fair values, goodwill and amortization, going concern and other matters currently included in paragraph 39 of the IAPS.</p>		
37.2	LSCA	<p>As mentioned above in our comment on paragraph 21, this may not be necessary or possible.</p> <p>The acknowledgement should be emphasized and it should be stressed that the principal auditor intends to rely on the other auditor's work.</p> <p>There should also be reference to the ability of the other auditor to decline to have his work relied on for the purposes of the principal auditor's report. This deserves a separate paragraph. The subsidiary company auditor cannot have imposed on him the reliance of the principal auditor. In most cases the subsidiary company auditor is appointed by the subsidiary to report on the subsidiary's accounts. In circumstances where the other auditor is not prepared to give this acknowledgement the group auditor will need to put other arrangements in place.</p>		
37.3	IDW	<p>Since not all financial reporting frameworks require uniformity of accounting policies (e.g., US GAAP allows a subsidiary to use FIFO; but the parent to use LIFO and then to consolidate these with commensurate disclosure), but all frameworks require uniformity of the financial reporting frameworks applied in consolidating components, we suggest amending (d) as follows:</p>		

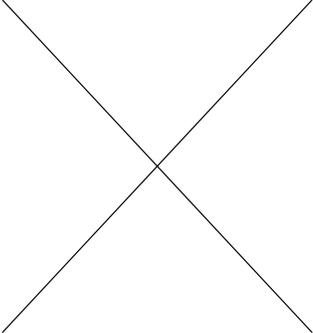
No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>”A review of matters affecting the elimination of inter-component transactions and accounts and the uniformity of the financial reporting framework applied to components’ financial information included in the group financial statements (and where required under the financial reporting framework, the uniformity of the accounting policies), and, where considered necessary, communicating with the other auditor in this regard.”</p>		
37.4	IOSCO	<p>Paragraph 37 – Delete, as this paragraph would no longer be needed.</p> <p>Paragraph 38</p> <p><b>In the case of division of responsibility, the group auditor’s report on the group financial statements should clearly indicate the magnitude of the portion of the group financial statements audited by the other auditor.</b> The auditor’s report on the group financial statements indicates the magnitude of the portion of the group financial statements audited by the other auditor in both the description of the auditor’s responsibility and the audit opinion paragraphs. This may be done by stating monetary amounts or percentages of one or more of the following: total assets, total revenues, or other appropriate criteria. When there is more than one other auditor, the percentages covered by the other auditors may be stated in the aggregate.</p>		<p>FOR ALL COMMENTS RELATING TO ED-600.35-41 REFER TO:</p> <p>Agenda Item 7-A, Appendix, paragraphs 2-4 and 11-13</p> <p>Agenda Item 7-A, paragraphs 14-16</p>
38.1	ICAI ASC	What is the basis for deciding the magnitude of the work performed by the other auditor e.g. turnover, profit, EBIT, assets?		
38.2	ICAEW	If division of responsibility is retained, we suggest that this paragraph should be expanded to require a clear statement that there is division of responsibility in the group auditor’s report. There should also be a statement in the group auditor’s report as to the identity of the other auditors unless this is clearly stated in the financial statements. Guidance on the disclosure of the magnitude of the portion of the group financial statements audited by the other auditor should be more specific and include the magnitude of the portion audited in the prior year. Such guidance might refer to the percentage of the total assets, liabilities, cash flows, profits etc., for example.		
38.3	CGA	Paragraph 38 discusses amending the auditor’s report to disclose the amount of work done by other auditors.		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>If the audit committee is satisfied that with the group auditor and the other auditors that the group auditor has contracted to and, if the group auditor has followed all the other criteria laid out in the previous section, why do we require that the report be annotated to disclose the work of the other auditors? The effect of this could be misconstrued. It could be taken to mean that the auditor cannot really handle the group audit. The auditor may have the expertise to perform the group audit, but may not have sufficient staff at the appropriate level to perform the audit efficiently. By utilizing the staff and expertise of another firm, they may be able to effectively perform the audit of organizations that they alone could not service. As long as the group auditor has followed all the other rules relating to quality assurance, they should not be required to modify the auditor’s report. This is particularly critical for small and medium size practitioners.</p>		
38.4	LSCA	<p>The following comments only apply if division of responsibility is not removed from ISA 600 as we have recommended in the general comments.</p> <p>The part of the auditor’s report setting out the magnitude of the portion of the financial statements audited by the other auditor should include all the measures, and not just one or more i.e. total assets and total revenues and any other appropriate criteria. The paragraph could be improved by defining the minimum disclosures required. It also needs to be specified whether the information is for each “other auditor”, as there could be several, or whether they are to be amalgamated.</p> <p>The paragraph should also include a requirement to name the other auditor(s) for those auditing a material part of the group. This information should be provided in the notes to the financial statements. The note listing the subsidiary companies would seem a logical place to include this information.</p>		
38.5	MAZARS	<p>While we do not support the division of responsibility we would add the following comments. The standard should not give a choice over the basis for showing the magnitude of portion of the group audited by other auditors, instead all criteria listed should be disclosed.</p>		
38.6	GCPAS	<p>The last sentence of paragraph 38 states in case of “Division of Responsibility” the following:                      “When there is more than one other auditor, the percentages covered by the other auditors may be stated in the aggregate.”</p>		

No.	Respondent	Respondent Comment	Processed	Task Force Comment / Reference
		We would recommend to delete the aforementioned sentence since we believe that the fact whether the responsibility is divided with more than one other auditor and to which extent each of the other auditors is involved in the audit of the group financial statements is certainly a useful and necessary information for the addressees of the auditors report on the group financial statements.		
38.7	GT	With respect to reporting under a division of responsibility, paragraph 38 requires the group auditor's report to indicate the "...magnitude of the portion of the group financial statements audited by the other auditor..." We urge the IAASB to include a report example for such situations; otherwise, reporting under such circumstances may become inconsistent among auditors. An example of such report that clearly indicates the division of responsibility is available in AU Section 543, <i>Part of Audit Performed by Other Independent Auditors</i> , issued by the Auditing Standards Board of the American Institute of Certified Public Accountants.		
38.8	NYSSCPA	The first two sentences of paragraph 38 are repetitive.		
38.9	E&Y	Paragraph 38 requires disclosure of the magnitude of the portion of the group financial statements audited by the other auditor. Given that ISA 700 (Revised) proposes a new form of auditor's report, it would be useful to provide guidance as to how this requirement would be communicated within the proposed revised auditor's report.		
38.10	IOSCO	Paragraph 38 - Delete  Paragraph 39  If the group auditor concludes that the group auditor cannot base the audit opinion on the group financial statements on the report of an other auditor regarding the audit of one or more components, the group auditor qualifies the audit opinion or disclaims an audit opinion on the group financial statements. The group auditor's reasons therefor are stated, and the magnitude of the portion of the financial statements to which the qualification extends is disclosed.		FOR ALL COMMENTS RELATING TO ED-600.35-41 REFER TO:  Agenda Item 7-A, Appendix, paragraphs 2-4 and 11-13  Agenda Item 7-A, paragraphs 14-16

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
39.1	CICA	<p>See editorial changes below:</p> <p>... on the report of <del>an</del> <u>the</u> other auditor regarding the audit of one or more components, the group auditor qualifies the audit opinion or disclaims an audit opinion on the group financial statements.</p>		
39.2	RREGAL	<p>It is not clear to me how paragraph 39 is meant to operate. In a divided responsibility audit the group auditor is not using the work of the other auditor as a basis for the opinion on the parts of the financial statements for which the group auditor is not accepting responsibility. I do not, therefore, see how there can be circumstances where the group auditor is not accepting responsibility for the work of other auditor whilst the same time basing an opinion on that other auditors work.</p>		
39.3	ICPA Kenya	<p>Paragraph 39 states that if the group auditor concludes that the group auditor cannot base the audit opinion on the group financial statements on the report of another auditor regarding the audit of one or more components, the group auditor qualifies the audit opinion or disclaims an audit opinion on the group financial statements. The group auditor's reasons thereof are stated, and the magnitude of the portion of the financial statements to which the qualification extends is disclosed.</p> <p>Our view is that there would be no basis for the qualification as the procedures enumerated in paragraph 37 are not sufficient to provide such basis. In our view, the only procedures similar to those undertaken in the sole responsibility approach are appropriate.</p>		
<p>Paragraph 40</p> <p><b>In the case of division of responsibility, the group auditor should consider whether the subject of a modified auditor's report on a component's financial statements is of such a nature and significance in relation to the group financial statements that a modification of the auditor's report on the group financial statements is required.</b></p>				<p>FOR ALL COMMENTS RELATING TO ED-600.35-41 REFER TO:</p> <p>Agenda Item 7-A, Appendix, paragraphs 2-4 and 11-13</p> <p>Agenda Item 7-A,</p>

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>Paragraph 41</p> <p><b>In the case of division of responsibility, the group auditor should document the following:</b></p> <p>(a) <b>The group auditor’s conclusion with regard to the professional qualifications, independence, professional competence and resources of the other auditor, and of the quality control process of the other auditor’s firm.</b></p> <p>(b) <b>The group auditor’s consideration of the other auditor’s report.</b></p> <p>(c) <b>Where applicable, any communication made by the group auditor to those charged with governance of the group based on information obtained from the other auditor in relation to the component’s financial information.</b></p>		<p>paragraphs 14-16</p> <p>FOR ALL COMMENTS RELATING TO ED-600.35-41 REFER TO:</p> <p>Agenda Item 7-A, Appendix, paragraphs 2-4 and 11-13</p> <p>Agenda Item 7-A, paragraphs 14-16</p>
41.1	RREGAL	<p>Paragraph 37 and paragraph 41 combined leave me confused as to what the black letter requirements are in a divided responsibility audit. Paragraph 5 implies that neither the definitions in paragraph 7 nor the standards in paragraphs 8 to 34 apply. Paragraph 37 implies that some of the work required by those standards will ordinarily be carried out but does not make that a black the requirement nor are there any imperatives in the drafting. However, paragraph 41 requires the documentation of one of the procedures mentioned in paragraph 37 and the documentation of two procedures that paragraph 37 does not mention.</p>		
41.2	IDW	<p>We suggest adding the following additional matters as items requiring documentation subsequent to point (a) but prior to the point (b):</p> <ul style="list-style-type: none"> <li>• the group auditor’s conclusion with respect to whether or not to divide responsibility (if applicable)</li> <li>• the group auditor’s assessment of the degree of group auditor involvement and the group auditor’s conclusion on whether to accept or continue the audit engagement on that basis</li> <li>• the communications with the other auditor in respect of acknowledgements and confirmations described in</li> </ul>		

No.	Respondent	Respondent Comment	Process- ed	Task Force Comment / Reference
		<p>paragraph 37 (c)</p> <ul style="list-style-type: none"> <li>• the review addressed in paragraph 37 (d)</li> <li>• the auditor’s conclusions with respect to the procedure performed in paragraph 37 (e)</li> <li>• the determination of the magnitude of the portion of the group financial statements audited by the other auditor</li> </ul> <p>We also suggest that 41 (b) be reworded as follows: “The group auditor’s consideration of the component’s financial information and the other auditor’s report thereon.”</p>		
<b>Effective Date</b>				
<p>Paragraph 42</p> <p>This ISA is effective for audits of group financial statements for periods beginning on or after December 15, 2004.</p>				
42.1	IDW	<p>Since this Standard will not likely be issued before late autumn, we do not believe that practitioners will be in a position to implement the requirements in the Standard for periods commencing on or after December 15, 2004. Consequently, we suggest changing the effective date to June 30, 2005.</p>	Yes	To be considered when finalizing the proposed ISA
<b>Other Comments</b>				
<i>General</i>				
O1	AGV	<p>We suggest that consideration be given to including in the ISA a reference to the International Auditing Practice Statement IAPS "The Audit of Group Financial Statements".</p>	No	ISAs do not include references to IAPS as they do not have the same authority

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
O2	LSCA	In both the proposed ISA and the IAPS bullet points are used in some paragraphs, lettering in others. We would recommend that lettering be used throughout as this would make the documents more user friendly.	No	Bullets are used for incomplete lists (e.g., lists of examples), while lettering is used for complete lists
O3	RREGAL	<p>The document is inconsistent in its use of “related auditor <i>or</i> other auditor” and “related auditor <i>and</i> other auditor”, sometimes using one construction, sometimes the other and sometimes refers to them in the singular and sometimes in the plural. I draw attention to the differences between the headings above paragraphs 25 and 29 and the inconsistency between the heading above paragraph 29 and the words of paragraph 29. I believe it would also be helpful if the document could use a generic term for “related auditor or other auditor” as this would save some very cumbersome drafting. I suggest the term “secondary auditor”, although I realize this could give some problems with divided responsibility audits.</p> <p>The document uses “impacted” when “affected” and would be a more appropriate word to use. It also uses “impact” when a more appropriate word is either “affect” or “effect” depending on whether “impact” is used as a verb (for example, the first time it is used in paragraph 33) or a noun (for example, the second time it is used in paragraph 33). (I believe the only time it is used as a verb is in paragraph 33, which should make editing by a global search and replace fairly easy.) I do not suggest that many people translating the document will be fooled by the first dictionary definition of “impact” but I do think that the IAASB should avoid making things unnecessarily difficult for translators by its use of English.</p>	Yes	
<i>Co-operation of the Other Auditor</i>				
O4	PWC	Extant ISA 600 Paragraph 15 compelled the other auditor to cooperate with the group auditor. We believe that this is an important issue and question why this has not been introduced into the proposed revised ISA 600. While this might be argued to be an ethical issue, the point is also not addressed in the proposed revised ethical standards. Not only do we believe that Paragraph 15 in extant ISA 600 should be retained, we also believe that it should be strengthened so that it	No	The ISA contains standards and guidance for the group auditor and not for the other auditor

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
O5	NIVRA	<p>reflects the reality of communication flows between the group entity and the component. It is the group auditor who needs to be advised of any matters of development at the component level. We therefore recommend reintroducing the paragraph to the proposed revised ISA 600 with the following amendments:</p> <p>“19. The other auditor, knowing the context in which the <del>principal</del> group auditor will use the other auditor’s work, should cooperate with the <del>principal</del> group auditor. For example, the other auditor would bring to the <del>principal</del> group auditor’s attention any aspect of the other auditor’s work that cannot be carried out as requested. Similarly, subject to legal and professional considerations, the <del>other group</del> auditor will need to be advised of any matters that come to the attention of the <del>principal other</del> auditor which may have an important bearing on the <u>group</u> auditor’s work.”</p> <p>Extant ISA 600 Paragraph 15 compelled the other auditor to cooperate with the group auditor. We believe that this is an important issue and question why this has not been introduced into the proposed revised ISA 600. While this might be argued to be an ethical issue, the point is also not addressed in the proposed revised ethical standards. Not only do we believe that Paragraph 15 in extant ISA 600 should be retained, we also believe that it should be strengthened so that it reflects the reality of communication flows between the group entity and the component. It is the group auditor who needs to be advised of any matters of development at the component level. We therefore recommend reintroducing the paragraph to the proposed revised ISA 600 with the following amendments:</p> <p>“19. The other auditor, knowing the context in which the <del>principal</del> group auditor will use the other auditor’s work, should cooperate with the <del>principal</del> group auditor. For example, the other auditor would bring to the <del>principal</del> group auditor’s attention any aspect of the other auditor’s work that cannot be carried out as requested. Similarly, subject to legal and professional considerations, the <del>other group</del> auditor will need to be advised of any matters that come to the attention of the <del>principal other</del> auditor which may have an important bearing on the <u>group</u> auditor’s work.”</p>	No	The ISA contains standards and guidance for the group auditor and not for the other auditor
O6	MAZARS	<p>(1) We believe that the key to an efficient and effective group audit is co-operation between all parties and that this should be recognized in a bold paragraph statement within the Standard.</p> <p>We would suggest something along the lines of ‘Related and other auditors should co-operate with and assist the group auditor’.</p> <p>(2) We also believe this should then address practical points such as the need for clear instructions on a timely basis</p>	No	<p>(1) The ISA contains standards and guidance for the group auditor and not for the other auditor</p> <p>(2) Matters relating to the</p>

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		and, where appropriate, agreement over a common language for communication.		group auditor's instructions are dealt with in ISA XXX.109-114
O7	NYSSCPA	The standard refers to the professional responsibilities of the 'group auditor.' Within the context of this standard, the 'other auditor' has professional responsibilities to the group auditor. The responsibilities of the other auditor to the group auditor should be enumerated.	No	The ISA contains standards and guidance for the group auditor and not for the other auditor
<i>The Related / Other Auditor's Report</i>				
O8	CNCC	The French Institutes consider that important guidance is missing on the report of the auditor of a component on the reporting package of that component. Such guidance is probably missing from both the revised ISA (as far as the principles are concerned) and the new IAPS (for detailed guidance).	No	ISA XXX.114 provides guidance on the other auditor's report / memorandum
		The revised ISA and/or the IAPS should set out the kind of report that can be expected by the group auditor from the auditor of the component on the reporting package of the component. It is considered particularly important that the revised ISA or the IAPS provides guidance on the wording of the opinion that the auditor of the component can issue on a reporting package. The opinion should not be expressed in terms of "true and fair view [...] in accordance with (financial reporting framework)". Rather, it should be expressed in terms of "prepared in accordance with group financial reporting framework" or "properly prepared in conformity with the accounting instructions of the ultimate parent company".		The IAASB agreed not to include an illustrative auditor's report
		The reason why the French Institutes consider that the opinion of the component auditor should not state that the reporting package "gives a true and fair view in accordance with the financial reporting framework" is that, in most cases the reporting package does not contain all the disclosures required by a recognised financial reporting framework for use by third parties or is not presented in a manner intended for use outside of the management and auditors of the consolidating group. The reporting package therefore generally does not give a true and fair view of the financial position of the company and of the results of its operations and its cash flows in accordance with a formal financial		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>reporting framework and the opinion given on it by the auditor of the component should be amended to reflect this.</p> <p>The IAPS should also include an example of the audit report to be issued by the auditor of the component on the reporting package of the component.</p>		
O9	PWC	Currently there is no guidance in the proposed revised ISA 600 of what is contemplated for the report or memorandum that sets out the related or other auditor's "findings, conclusions and opinion".	No	<p>ISA XXX.114 provides guidance on the other auditor's report / memorandum</p> <p>The IAASB agreed not to include an illustrative auditor's report</p>
O10	IOSCO	<p><i>Use of Another Auditor</i></p> <p>We also believe that there should be additional specific requirements for circumstances where another auditor is used for certain procedures, with or without a full audit and audit report, including use in a sole responsibility audit. In addition to criteria established for the portion of the group entity that the group auditor must audit in order to assume the role of group auditor, there should be explicit guidance in the standard on coordination between the two auditors and on the documentation to be exchanged. There should be greater coverage of actions the group auditor should take to satisfy himself that the other auditor is performing acceptably; for example, the group auditor should obtain and consider descriptions of the other auditor's quality control process, rather than merely obtaining representations that the process is in compliance with ISQC 1. The desirability of visiting the other auditor should be discussed.</p>	Part	<p>ISA XXX..109-114</p> <p>ISA XXX.11-18</p> <p>ISA XXX.88-95</p>
<i>Other Standards / Guidance Not Covered in the ISA</i>				
O11	E&Y	ISA 600 does not deal with the group auditor's responsibility to communicate with the other auditor where the group auditor becomes aware that the other auditor is not aware of information affecting the component's financial statements (for example, the component's assets have been used as collateral for the parent company bank debt and the other auditor is not aware of this fact and it is not disclosed in the component's financial statements). It would be	Yes	ISA XXX.115-116

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		useful to provide guidance in that area, including obtaining the group management's permission to communicate with the other auditor and the group auditor's appropriate course of action if such consent is withheld.		
O12	LSCA	There is insufficient recognition in the standard that in many countries there will be a statutory audit requirement for subsidiaries and the local auditors will be required to report under local standards. Often the accounts used for consolidation are reconciliation from these statutory accounts or, quite frequently, the statutory accounts are used by the group auditors. The procedures laid down in the standards do not recognize this.	No	ISA XXX.67-68
		<i>Title</i>		
O13	Basel	<p>(1) We would note that while the title of ISA 600 points to the work of related auditors and other auditors in a group, the focus is in fact the audit of a group and how the audit work should be organized. Clarification of the title may be advisable.</p> <p>(2) Appendices 2 and 3 of the proposed IAPS are listed in the table of contents for the IAPS, but are not referenced anywhere in the text of the proposed IAPS itself. (Appendix 1, which contains definitions, is referenced in paragraph 8 of the proposed IAPS.)</p> <p>Appendix 2 gives examples of matters to be included in the group auditor's letter of instruction, and Appendix 3 lists examples of related auditor's or other auditor's acknowledgements and confirmations. We note that these two matters are addressed in paragraphs 21 and 22 of ISA 600, in the section labeled "Communications", and suggest that the two Appendices would be more appropriately located in ISA 600 and referenced in paragraphs 21 and 22. Alternatively, if Appendices 2 and 3 remain in the IAPS, they should be referenced in appropriate paragraphs within the IAPS.</p>	Yes	<p>(1) See title of ISA XXX</p> <p>(2) Appendices now in ISA XXX and referred to in appropriate paragraphs</p>
		<i>ISA vs. IAPS</i>		
O14	IRE Belgium	We would like to suggest to the IAASB to incorporate additional guidance regarding communications with those charged with governance, in particular on the scope of work to be performed by the group auditor, the portion (substantial or not) to be performed by the related or the other auditor(s), and of the significant findings in relation to significant risks that, according to ISA-315, (already) have to be reported to those charged with governance. In general, more guidance on the application of the ISAs-315 and 330 in the context of a group audit could be forwarded	Yes	<p>Agenda Item 7-A, Appendix, paragraphs 11-13</p> <p>Agenda Item 7-A, paragraphs 17-18</p>

No.	Respondent	Respondent Comment	Process- ed	Task Force Comment / Reference
		in the newly proposed ISA-600, with cross-references where necessary to the audit risk model ISAs.		
O15	ACCA	In the absence of holistic updating, we recommend, therefore, that the proposed revised ISA 600 is confined to using the work of another auditor and that the proposed IAPS be re-designated as providing guidance on the audit of entities having components - which would include entities preparing group financial statements.	No	Agenda Item 7-A, Appendix, paragraphs 11-13  Agenda Item 7-A, paragraphs 17-18
O16	FEE	We recommend that certain guidance currently included in the proposed IAPS needs to be more prominent for the group auditor having sole responsibility for the audit of the consolidated financial statements and therefore should be transferred to the proposed revised ISA 600.	Yes	Agenda Item 7-A, Appendix, paragraphs 11-13  Agenda Item 7-A, paragraphs 17-18
		<p>We propose that certain sections should be added to the revised ISA 600 to provide further guidance related to communications with those charged with governance of the group company where the group auditor has sole responsibility for the audit of the consolidated financial statements. The proposed revised ISA 600 currently includes only guidance on communications with the executive group management and on communications with those charged with governance under the division of responsibility option.</p> <p>At a minimum, the group auditor should inform those charged with governance about:</p> <ul style="list-style-type: none"> <li>• the scope of the work to be performed, including on the components’ financial information and the consolidation.</li> <li>• the audit work which will be performed by related and other auditors.</li> <li>• the significant accounting, auditing and financial reporting findings of the group auditor and of the related and other auditors in respect of the audit of the consolidated financial statements and the component’s financial information.</li> </ul> <p>These minimum requirements should be presented in bold lettering. The proposed revised ISA 600 would also benefit from reference to the relevant guidance in ISA 260 “Communications of Audit Matters with Those Charged with Governance”.</p>		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
O17	CNCC	The French Institutes consider that the balance which has been achieved between the revised ISA and the IAPS is good. They support the generalisation of such approach as a possible solution to overcome the problem of the excessive length and level of details of the standards currently drafted by the IAASB, which has so often been pointed out by national standards setters.	No	Agenda Item 7-A, Appendix, paragraphs 11-13
O18	PWC	We are comfortable with the approach adopted in the Exposure Draft to embed the key principles in the proposed revised ISA 600 while providing more detailed guidance on the application of the ISAs to group audits in an IAPS. This approach supports the philosophy — with which we fully agree — that the standards and guidance in the ISAs apply to all audits and that it is not necessary to create additional standards on the audit process itself for group audits alone. The IAPS achieves the objective of providing relevant guidance on the application of the standards to group audits.	No	Agenda Item 7-A, Appendix, paragraphs 11-13  Agenda Item 7-A, paragraphs 17-18
O19	JICPA	We support that as presented by the Exposure Draft the implementation guidance of the audit of group financial statements be developed as an IAPS rather than an ISA. We consider that the existing ISAs contain all of basic principles and essential procedures that are necessary for conducting the audit of group financial statements. Because there are very few standards around the world that are specific to the audit of group financial statements, notwithstanding the fact that audits of group financial statements have been conducted for many years.	No	Agenda Item 7-A, Appendix, paragraphs 11-13  Agenda Item 7-A, paragraphs 17-18
O20	CICA	At the February 2004 meeting of IAASB, it was noted that the IAASB Steering Committee and Clarity of Standards Task Force plan to discuss the way forward on improving the clarity of IAASB standards and that a recommended course of action will be brought forward for discussion by the IAASB in April or June 2004. One of the key clarity issues is that many perceive the level of detail in IAPSs to be excessive. This draft IAPS on audit of group financial statements is 30 pages long and contains 91 paragraphs plus appendices. In light of the concerns about the clarity of standards, we suggest that consideration be given to significantly reducing the level of detail in the IAPS, by focusing on key issues only. It could be suggested to member bodies that they may wish to provide a more detailed practice guide on this subject if they see a need for it in their particular jurisdictions.	No	Agenda Item 7-A, Appendix, paragraphs 11-13  Agenda Item 7-A, paragraphs 17-18

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
O21	SAICA	We fully support the revised ISA 600 and the new IAPS on Group Audits. Although the proposed ISA and IAPS are lengthy documents, we believe that they are well written and contain necessary guidance for the audit of group financial statements.	No	Agenda Item 7-A, Appendix, paragraphs 11-13  Agenda Item 7-A, paragraphs 17-18
O22	DTT	We strongly believe that the preferable approach is to require that “the level of assurance required to be obtained by the group auditor” in each of the two audits be equivalent. Accordingly, we believe that the proposed requirements in ISA 600 need to be strengthened. This can be accomplished mostly by bringing guidance from the proposed IAPS into ISA 600 and, as described below, creating additional specific requirements for the group auditor.  If there are components that are of individual significance or components that have been identified at the group level as likely to include significant risks of material misstatements of the group financial statements, which are not directly audited by the group auditor or related auditors, we strongly believe that the group auditor should be required to perform some procedures on those components. We are supportive of the guidance which is current in the IAPS on this subject, and believe it should be moved into ISA 600 and be made bold lettered requirements. We believe that the inclusion of this in ISA 600 will appropriately raise the level of work required in order to take full responsibility of a group audit. Accordingly, we recommend including the following in ISA 600:  For components that are of individual financial significance or components that have been identified at the group level as likely to include significant risks of material misstatement of the group financial statements, the group auditor <u>should</u> :	Part	Agenda Item 7-A, Appendix, paragraphs 11-13  Agenda Item 7-A, paragraphs 17-18
		<ul style="list-style-type: none"> <li>▪ Direct inquiries to component management and the other auditors (paragraph 34 of IAPS).</li> <li>▪ Obtain an understanding of the components (paragraph 38 of IAPS).</li> <li>▪ Hold discussions with other auditors or key members of their teams on the susceptibility of an entity to material misstatements of the financial statements due to fraud (paragraphs 45 and 46 of IAPS).</li> <li>▪ Participate in the other auditor’s risk assessment (paragraph 46 of IAPS).</li> </ul>		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<ul style="list-style-type: none"> <li>▪ Perform some further audit procedures (derived from paragraph 62 of IAPS).</li> <li>▪ Review the other auditor’s working papers (paragraph 62 of IAPS).</li> <li>▪ Perform procedures designed to identify subsequent events at those components (paragraph 78 of IAPS).</li> </ul> <p>Recommendation 3 discussed procedures that we believe should be performed on the “riskier components” which are not directly audited by the group auditor or related auditors. In addition to these required procedures on the “riskier components,” we believe that the group auditor should perform some procedures on components, which when aggregated with other individually insignificant components, may be of financial significance or give rise to significant risks of material misstatement of the group financial statements.</p> <p>For such components that are not directly audited by the group auditor or related auditors, in order for the group auditor to obtain sufficient appropriate audit evidence to take “full responsibility” for the group audit, we recommend that the group auditor <u>should</u>:</p> <ul style="list-style-type: none"> <li>▪ Obtain the other auditor’s evaluation of misstatements.</li> <li>▪ Obtain and read the other auditor’s report.</li> <li>▪ Use professional judgment to consider performing one or more of the following (<i>Note - see Recommendation 5 on the use of professional judgment</i>): <ul style="list-style-type: none"> <li>– Meet with component management.</li> <li>– Perform planning and risk assessment procedures. These may be performed jointly with the other auditor, or directly by the group auditor.</li> <li>– Perform further audit procedures. These may be performed jointly with the other auditor, or directly by the group auditor.</li> <li>– Participate in the other auditor’s evaluation of audit evidence.</li> <li>– Participate in the closing and other key meetings between the other auditor and component management.</li> </ul> </li> </ul>		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>Review the other auditor's working papers.</p> <p>As currently stated in the proposed ISA 600 and IAPS, we agree with the statement that professional judgment should be exercised by the group auditor to determine the group auditor's extent of involvement in the other auditor's work. However, in considering which of the items in Recommendation 4 should be performed by the group auditor on work performed directly by the other auditor, the group auditor should consider the guidance in paragraph 64 of the proposed IAPS, which we believe should be moved into the proposed ISA 600:</p> <p>The greater the individual financial significance of the component or the significance of the risks of material misstatement, or the lower the level of the group auditor's satisfaction with the professional qualifications, professional competence, and resources of the other auditor, or of the quality control process of the other auditor's firm, the greater is the group auditor's participation in the other auditor's work.</p>		
O23	AICPA	<p>We believe that the proposed ISA and IAPS are a step in the right direction in improving the quality of group audits; however, we do not believe that the proposed ISA goes far enough in providing guidance on the nature, timing, and extent of audit procedures to be performed by group auditors who plan to use the work of an other auditor. Some of this guidance is contained in the proposed IAPS. We recommend that requisite guidance from the proposed IAPS be incorporated into the proposed ISA.</p> <p>We also believe that the guidance contained in the proposed IAPS should be incorporated into the proposed ISA and that the proposed IAPS is not required. We question whether it is appropriate to issue the proposed IAPS at the same time as the proposed ISA and why the IAASB considers that the guidance contained in the proposed IAPS does not belong in the proposed ISA. The following are examples of guidance that we believe the IAASB should consider including in the proposed ISA. We believe that by including this additional guidance, the proposed ISA will be significantly strengthened:</p> <p><i>Acceptance</i></p> <ul style="list-style-type: none"> <li>Paragraph 12 "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</li> </ul>	Yes	<p>Agenda Item 7-A, Appendix, paragraphs 11-13</p> <p>Agenda Item 7-A, paragraphs 17-18</p>

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>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 components' financial information.</p>		
		<ul style="list-style-type: none"> <li>Paragraph 13 "It will also be unusual for group auditor to accept an engagement where components that have been identified at group level as likely to include significant risks of material misstatement of the group financial statements are audited by other auditors, unless the group auditor will be able to participate appropriately in the work to be performed by the other auditors on the components' financial information"</li> </ul>		
		<p><i>Continuance</i></p>		
		<ul style="list-style-type: none"> <li>Paragraph 16 "The group auditor's decision as to whether to continue an engagement to audit group financial statements will be based on the group auditor's previous experience with the group, and will be impacted by factors such as the following:....."</li> </ul>		
		<p><i>Materiality</i></p>		
		<ul style="list-style-type: none"> <li>Paragraph 28 "ISA 320, "Audit Materiality" contains standards and guidance on materiality and its relationship with audit risk. The group auditor establishes group materiality to evaluate the effect of misstatements of the components' financial information and the consolidation on the group financial statements. Group materiality is based on the group financial statements"</li> </ul>		
		<ul style="list-style-type: none"> <li>Paragraph 29 "The group auditor also establishes group planning materiality to determine the nature, timing and extent of audit procedures to be performed on the group financial statements. Group planning materiality is also based on the group financial statements."</li> </ul>		
		<ul style="list-style-type: none"> <li>Paragraph 30 "The group auditor uses group planning materiality to determine planning materiality to be used when performing work on the components' financial information. The group auditor's determination of planning materiality for components is a matter of professional judgment and may be impacted by factors such as the individual financial significance of a component and whether a component has been identified at group level as likely to include significant risks of material misstatement of the group financial statements. Planning materiality</li> </ul>		

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>for a component does not exceed, and in practice sometimes is lower than, group planning materiality.”</p> <ul style="list-style-type: none"> <li>Paragraph 31 “Where the work on a component will be performed by a related auditor or other auditor, the group auditor communicates the planning materiality determined by the group auditor for the component. The group auditor also communicates a threshold below which misstatements are regarded as clearly inconsequential and, as a result, need not be communicated to the group auditor.”</li> </ul> <p><i>Discussion Among Engagement Team Members Regarding the Risks of Material Misstatement of the Group Financial Statements, Including the Risks of Fraud</i></p> <ul style="list-style-type: none"> <li>Paragraph 46 “The group auditor holds discussions with related auditors and other auditors, or key members of their teams, who perform work on the financial information of components that are of individual financial significance and components that have been identified at group level as likely to include significant risks of material misstatement of the group financial statements. The group auditor may also consider it appropriate to participate in their risk assessments.”</li> </ul> <p><i>Scoping the work to be performed on the components’ Financial Information</i></p> <ul style="list-style-type: none"> <li>Paragraph 62 “Where other auditors perform work on the financial information of components that have been identified at group level as likely to include significant risks of material misstatement of the group financial statements, the group auditor considers whether it is also necessary for the group auditor to participate in the work of the other auditors or to review the other auditor’s working papers (see paragraph 27 of proposed ISA 600)</li> </ul> <p>We believe that the proposed ISA should specify the procedures to be performed by the group auditor in assessing the other auditor’s work when there is and when there is not a significant identified risk. Further, we believe that when there is a significant identified risk, the ISA must provide a list of mandatory additional procedures to be performed by the group auditor in assessing the other auditor’s work.</p>		
O24	IDW	In particular, we are pleased to see that the ISA 600 (Revised) has remained of reasonable length and that considerable additional guidance on the application of the standard has been placed into an International Auditing Practice Statement (IAPS).	No	Agenda Item 7-A, Appendix, paragraphs 11-13  Agenda Item 7-A,

No.	Respondent	Respondent Comment	Processed	Task Force Comment / Reference
				paragraphs 17-18
O25	NIVRA	We are comfortable with the approach adopted in the Exposure Draft to embed the key principles in the proposed revised ISA 600 while providing more detailed guidance on the application of the ISAs to group audits in an IAPS. This approach supports the philosophy — with which we fully agree — that the standards and guidance in the ISAs apply to all audits and that it is not necessary to create additional standards on the audit process itself for group audits alone. The IAPS achieves the objective of providing relevant guidance on the application of the standards to group audits.	No	Agenda Item 7-A, Appendix, paragraphs 11-13  Agenda Item 7-A, paragraphs 17-18
O26	E&Y	<p>The IAPS provides useful guidance to the auditor in the context of an audit of group financial statements. However, the IAPS is very lengthy and repeats much of the material already included in other ISAs, without necessarily providing new guidance specifically related to the audit of group financial statements. We suggest that the IAPS be reworked to focus only on areas in which additional guidance is specifically needed for group audits, for example:</p> <ol style="list-style-type: none"> <li>a. Expanding the guidance in paragraph 12 by explaining what is meant by appropriate participation in the work of the other auditors and providing examples.</li> <li>b. Explaining how the group auditor considers the quality control process of the other auditor's firm.</li> <li>c. Special considerations with respect to refusal by an equity accounted investee to provide adequate financial information.</li> <li>d. Time lags – explaining the audit procedures that should be performed to report on the group financial statements when the fiscal year end of the entity and its subsidiaries or investee companies do not coincide.</li> <li>e. Guidance when the auditor is the other auditor (as opposed to the group auditor) and what procedures the other auditor should carry out, such as: <ol style="list-style-type: none"> <li>i. Obtaining an understanding of the group auditor's intended use of the other auditor's report;</li> <li>ii. Identifying the existence and effect on the component's financial statements of related party transactions involving entities audited by the group auditor;</li> </ol> </li> </ol>	Part	Agenda Item 7-A, Appendix, paragraphs 11-13  Agenda Item 7-A, paragraphs 17-18

No.	Respondent	Respondent Comment	Pro- cess- ed	Task Force Comment / Reference
		<p>iii. Obtaining information from the group auditor, prior to the issuance of the other auditor's report on the component, about matters that could affect the fairness of presentation of the component's financial statements.</p> <p>Assessing the need to obtain representations from group management for the component audited by the other auditor.</p>		
O27	IOSCO	<p><i>Guidance in the ISA versus the IAPS</i></p> <p>As suggested above, we believe that the audit procedures discussed in the IAPS are equally relevant to sole and division of responsibility audits. Some of our members question whether a separate IAPS is really needed and believe it would be preferable to combine the ISA and IAPS into one complete and comprehensive document. All of our members believe that there are important portions of the IAPS that should be brought into the ISA. For example, the ISA should include guidance as to what portion of an entity must be directly audited by the main (group) auditor in order for the group auditor to assume the group auditor role.</p>	Yes	<p>Agenda Item 7-A, Appendix, paragraphs 11-13</p> <p>Agenda Item 7-A, paragraphs 17-18</p>
O26	IOSCO	<p>Our overarching comment on this IAPS is that much of the content therein would be useful to include in the ISA on Group Audits, and that some of the information should definitely appear in the ISA.</p>	Yes	<p>Agenda Item 7-A, Appendix, paragraphs 11-13</p> <p>Agenda Item 7-A, paragraphs 17-18</p>