

SUPPLEMENT TO EXPLANATORY MEMORANDUM, PROPOSED ISA 600 (REVISED AND REDRAFTED):

MAPPING DOCUMENT

This supplement to the IAASB Exposure Draft, Proposed ISA 600 (Revised and Redrafted), “The Audit of Group Financial Statements,” has been prepared by IAASB staff to demonstrate how the “should” requirements and sentences in the present tense in the March 2005 Exposure Draft (appropriately amended based on the comments received on the March 2005 Exposure Draft) have been reflected in proposed ISA 600 (Revised and Redrafted).

The material included herein is provided only to assist readers of the Exposure Draft. It is for information purposes only and does not form part of the Exposure Draft. The IAASB has not approved, disapproved, or otherwise acted upon this supplement. It is neither authoritative nor an official pronouncement nor statement of the IAASB.

“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft	“Shall” in Proposed ISA 600 (Revised and Redrafted)?	Equivalent in Proposed ISA 600 (Revised and Redrafted)	Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))
Introduction		Introduction	
1. ... The group auditor also applies the standards and considers the guidance in the other ISAs.	No	1. ... This International Standard on Auditing (ISA) deals with special considerations in the audit of group financial statements (“group audits”) and, in particular, the involvement of other auditors, as defined in paragraph 7(h), in group audits.	
		Objective to be Achieved	
4. The group auditor should obtain sufficient appropriate audit evidence on which to base the group audit opinion. To obtain such audit evidence, the group auditor should determine (a) the audit procedures to be performed on the consolidation, and (b) the type of work to be performed by the group auditor or other auditors on the financial information of the components.	Rewritten as objective of ISA	6. In relation to this ISA, the objective of the auditor is to determine whether the auditor is able to act as the group auditor and, if so, to: (a) determine the audit procedures to be performed on the consolidation process and the work to be performed by the group auditor or the other auditors on the financial information of the components; (b) determine the group auditor’s involvement in the	

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		<p>work performed by the other auditors;</p> <p>(c) establish appropriate communication with the other auditors; and</p> <p>(d) evaluate the audit evidence obtained in relation to the consolidation process and the financial information of the components</p> <p>in order to obtain sufficient appropriate audit evidence to reduce audit risk for the group financial statements to an acceptably low level.</p>	
<p>Acceptance and Continuance as Group Auditor</p>		<p>Acceptance and Continuance as Group Auditor</p>	
<p>7. In deciding whether to accept or continue an engagement to audit group financial statements, the group auditor should also determine whether the group auditor will be able to obtain sufficient appropriate audit evidence on which to base the audit opinion on the group financial statements ... In order to obtain sufficient appropriate audit evidence, the group auditor performs the work on the consolidation and, as described in this ISA, either performs the work, or is involved in the work to be performed by other auditors, on the financial information of the components.</p>	<p>Yes</p>	<p>9. The firm of the group engagement partner shall accept or continue an engagement to audit group financial statements only if the group engagement partner has reasonable expectation of obtaining sufficient appropriate audit evidence in relation to the consolidation process and the financial information of the components to reduce audit risk for the group financial statements to an acceptably low level. This is achieved by the group auditor performing the work on the consolidation process; and either performing the work on the financial information of significant components, or being involved in the work that the other auditors perform on the financial information of significant components to the extent necessary to obtain sufficient appropriate audit evidence.</p>	
<p>7. ... The group auditor, however, takes responsibility for the audit opinion on the group financial statements (for purposes of this ISA referred to as “group audit</p>	<p>No</p>	<p>4. Although other auditors may perform work on the financial information of components for the group audit and as such are responsible for their overall findings,</p>	

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opinion”) ...		conclusions or opinions in their memoranda or reports of work performed, the group auditor alone is responsible for the audit opinion on the group financial statements (“group audit opinion”).	
<p>10. To obtain sufficient appropriate audit evidence on which to base the group audit opinion, the group auditor, at a minimum, should:</p> <p>(a) Perform the work on the financial information of significant components, or</p> <p>(b) Be involved in the work that other auditors perform on the financial information of significant components.</p>	Paragraph has been deleted		The concept is dealt with in paragraph 9.
<p>11. For purposes of determining whether to accept or continue an engagement to audit group financial statements, the group auditor should obtain an understanding of the group, its components, and their environments, sufficient to identify components where other auditors will perform the work on the financial information, and determine which of those components are likely to be significant.</p>	Yes	10. To determine whether the group engagement partner can reasonably expect to obtain sufficient appropriate audit evidence, the group auditor shall obtain an understanding of the group, its components, and their environments, sufficient to determine which of the components are likely to be significant and, where other auditors will perform the work on the financial information of components that are likely to be significant, whether the group auditor will be able to be involved in the work of those other auditors to the extent necessary to obtain sufficient appropriate audit evidence.	
<p>12. In the case of a new engagement, this understanding is obtained from information provided by group management, discussions with group management and, where applicable, discussions with the previous group auditor, component management and other auditors. In</p>	No		Now application material to paragraph 10. See paragraph A1, which lists possible sources from which the group auditor may obtain the

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the case of a continuing engagement, the group auditor considers significant changes that may affect previous experience with the group.			required understanding. The list is not exhaustive.
13. The group auditor’s understanding includes: <ul style="list-style-type: none"> • The group structure ... 	No		Now application material to paragraph 10. See paragraph A2, which provides a list of matters about which the group auditor may obtain an understanding. The list is not exhaustive.
14. In the case of a continuing engagement, the group auditor considers whether there have been significant changes that may affect the group auditor’s ability to obtain sufficient appropriate audit evidence on which to base the group audit opinion ...	No		Now application material to paragraph 10. See paragraph A3, which lists significant changes that may affect the group auditor’s ability to obtain sufficient appropriate audit evidence. The list is not exhaustive.
17. A group may consist only of components that are not of individual financial significance to the group. In these circumstances, the group auditor and related auditors (a) perform the work on the financial information of some of these components, and (b) are involved in the work performed by unrelated auditors on the financial information of other components to the extent the group auditor considers necessary to obtain sufficient appropriate audit evidence on which to base the group audit opinion.	No		Now application material to paragraph 9. See paragraph A6, which explains the circumstances in which the group engagement partner can reasonably expect to obtain sufficient appropriate audit evidence if a group consists only of components that are not likely to be significant.

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ACCESS TO INFORMATION			
<p>18. The group auditor should not accept an engagement to audit group financial statements if:</p> <p>(a) The group auditor’s access to component information, those charged with governance of components, component management, or other auditors (including relevant parts of their audit documentation) will be restricted; and</p> <p>(b) The possible effect of the group auditor’s inability to obtain sufficient appropriate audit evidence is material and pervasive to the group financial statements, such that the group auditor is likely to disclaim an opinion on the group financial statements.</p>	<p>Paragraph has been deleted, but see paragraphs 12-13 of proposed ISA 600 (Revised and Redrafted)</p>		<p>Paragraph has been deleted based on comments received.</p> <p>Respondents noted that the acceptance/continuance decision should be based on the group auditor’s expectation to obtain sufficient appropriate audit evidence; not on whether he or she will have access.</p> <p>See, however, paragraphs 12-13.</p>
<p>21. Where restrictions on access cannot be overcome by group management or it is impractical for the group auditor to be involved in the work of another auditor, the group auditor considers whether sufficient appropriate audit evidence can be obtained by other means ... If the group auditor concludes that it does not constitute sufficient appropriate audit evidence, the group auditor considers the possible effect on the group financial statements and the group audit opinion ...</p>	<p>No, but text has been retained in the requirements section</p>	<p>11. The group auditor may not be able to be involved in the work that another auditor will perform on the financial information of a component that is likely to be significant. This may be because the group auditor’s access to component information, those charged with governance of components, component management, or the other auditors (including relevant audit documentation sought by the group auditor) is restricted, and such restriction cannot be overcome by group management; or it is impractical for the group auditor to be involved in the work of that other auditor. Where this is the case, it is unlikely that the group auditor will be able to obtain sufficient appropriate audit evidence.</p>	<p>See paragraphs 20-23 of the Explanatory Memorandum.</p>
<p>22. If the group auditor concludes that, because of</p>	<p>Yes</p>	<p>12. If the group engagement partner concludes that it</p>	

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<p>restrictions on access or impracticalities, the group auditor will not be able to obtain sufficient appropriate audit evidence on which to base an unmodified group audit opinion, the group auditor considers the possible effect of this inability on the group financial statements.</p> <p>23. In some circumstances, the possible effect of the inability to obtain sufficient appropriate audit evidence is in the group auditor’s judgment material and pervasive to the group financial statements, thus requiring a disclaimer of opinion (see [proposed] ISA 705, “Modifications to the Opinion in the Independent Auditor’s Report”). In these circumstances, the group auditor informs group management that it is not possible for the group auditor to accept the engagement.</p>		<p>will not be possible to obtain sufficient appropriate audit evidence and the possible effect of this inability will result in a disclaimer of opinion on the group financial statements (see [proposed] ISA 705, “Modifications to the Opinion in the Independent Auditor’s Report”), the group engagement partner shall inform group management, or those charged with governance of the group, that it is not possible to accept the engagement. In the case of a continuing engagement, the group engagement partner shall consider resigning from the engagement.</p> <p>13. Where law or regulation does not permit an auditor not to accept or resign from an engagement, the group engagement partner shall express a disclaimer of opinion on the group financial statements.</p>	
<p>24. If restrictions on access occur after accepting an engagement and these restrictions cannot be overcome by group management, or by the group auditor obtaining sufficient appropriate audit evidence by other means, the group auditor should consider the possible effect of this inability to obtain sufficient appropriate audit evidence on the group financial statements ...</p>	<p>Paragraph has been deleted</p>		<p>Concept now in paragraphs 12-13.</p>
<p>25. ... When the possible effect of this inability is material and pervasive to the group financial statements, the group auditor considers resigning from the engagement. Where law or regulation does not permit resignation, the group auditor expresses a disclaimer of opinion on the group financial statements.</p>	<p>Paragraph has been deleted</p>		<p>Concept now in paragraphs 12-13.</p>

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TERMS OF ENGAGEMENT			
26. The group auditor should state, in the terms of engagement, that restrictions on (a) the group auditor’s access to component information, those charged with governance of components, component management, or the other auditors (including relevant parts of their audit documentation), or (b) the work to be performed on the financial information of the components, imposed after the group auditor’s acceptance of the engagement, constitute a scope limitation that may affect the group audit opinion.	No		Now application material. See paragraph A11, which lists matters that may be included in the terms of engagement in addition to those required by ISA 210, “Terms of Engagements.” The list is not exhaustive. This is in line with paragraph 8 of ISA 210, which notes that “[w]hen relevant, the following points could also be made ... arrangements concerning the involvement of other auditors and experts in some aspects of the audit ...”
Consideration of Other Auditors		Obtaining an Understanding of the Other Auditors	
27. The group auditor should consider the professional qualifications, independence, and professional competence of the other auditors, and the quality control systems of their firms.	Yes	14. To determine the group auditor’s involvement in the work performed by the other auditors, the group auditor shall obtain an understanding of the following: (a) The professional qualifications of the other auditors; (b) The other auditors’ compliance with relevant ethical requirements and, in particular, their independence and professional competence; (c) The quality control systems of the other auditors’ firms ...; (d) If not prohibited by law or regulation, whether the	

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		<p>other auditor will provide the group auditor with the necessary access to relevant audit documentation; and</p> <p>(e) Other factors that may affect the ability of the group auditor to be involved in the work performed by the other auditors.</p> <p>This requirement does not apply to members of the engagement team under direct supervision of the group engagement partner. Such individuals are subject to the requirements of ISA 220, “Quality Control for Audits of Historical Financial Information.”</p>	
<p>28. The group auditor considers, for example, whether the other auditor:</p> <ul style="list-style-type: none"> • Possesses an understanding of the applicable financial reporting framework... • Possesses an understanding of auditing and other standards applicable to the audit of the group financial statements ... • Possesses the special skills necessary ... • Possesses the special skills necessary ... • Operates in a regulatory environment ... 	<p>No</p>		<p>Now application material to paragraph 14. See paragraphs A12-13. Paragraph A12 lists examples of the group auditor’s understanding of the other auditors’ compliance with relevant ethical requirements and, in particular, their independence and professional competence.</p>
<p>RELATED AUDITORS</p>			<p>The distinction between related and unrelated auditors has been eliminated. See paragraphs 8-15 of the Explanatory Memorandum.</p>
<p>32. The group auditor considers any communications</p>	<p>No</p>		<p>Paragraph 15 requires the</p>

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<p>received in accordance with ISQC 1, paragraph 87, regarding the result of the related auditor’s quality control process that are relevant to the audit of the group financial statements. The group auditor considers whether any noted deficiencies (a) could affect the audit of the group financial statements, and (b) if so, whether measures taken by the related auditor’s firm to rectify such deficiencies appear to be sufficient in the audit of the group financial statements.</p>			<p>group auditor to obtain a confirmation about another auditor’s firm’s compliance with ISQC 1, “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements”, only when that other auditor does not operate under common monitoring policies and procedures as provided for in ISQC 1. The IAASB is of the view that the communications referred to in paragraph 32 of the March 2005 Exposure Draft will be considered as part of the group auditor’s firm’s compliance with ISQC 1 – it is therefore not necessary to repeat it in proposed ISA 600 (Revised and Redrafted).</p>
<p>34. When a related auditor will perform the work, or will be involved in the work to be performed by an unrelated auditor, on the financial information of a significant component, and the related auditor’s professional competence is not personally known to the group auditor, the group auditor working with the related auditor’s firm determines whether the related auditor possesses the necessary professional</p>	<p>No</p>		<p>See paragraphs 12-14 of the Explanatory Memorandum.</p>

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competence.			
UNRELATED AUDITORS			The distinction between related and unrelated auditors has been eliminated. See paragraphs 8-15 of the Explanatory Memorandum.
35. The group auditor uses a number of sources to obtain information about the professional qualifications, independence, and professional competence of an unrelated auditor, and the quality control system of that auditor’s firm...	No		Now application material to paragraph 14. See paragraph A15, which lists sources that may provide information about the other auditors. The list is not exhaustive.
<p>36. The group auditor should confirm whether:</p> <p>(a) The unrelated auditor’s firm’s quality control system complies with ISQC 1; and</p> <p>(b) There are any issues noted in recent monitoring reports that are likely to affect significantly the work that the unrelated auditor will perform on</p>	Yes, but requirement has been revised	15. Where another auditor does not operate under and comply with monitoring policies and procedures common to those of the group auditor as provided for in International Standard on Quality Control (ISQC) 1, “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements,” ¹ the group auditor shall obtain a confirmation from that other	Paragraph 74 of ISQC 1 requires the firm to establish policies and procedures designed to provide it with reasonable assurance that the policies and procedures relating to the system of quality control are relevant,

¹ Paragraph 87 of ISQC 1 reads as follows: Some firms operate as part of a network and, for consistency, may implement some or all of their monitoring procedures on a network basis. Where firms within a network operate under common monitoring policies and procedures designed to comply with this ISQC, and these firms place reliance on such a monitoring system:

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

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the financial information of the component ...		auditor whether that other auditor’s firm’s quality control systems comply with ISQC 1.	adequate, operating effectively and complied with in practice. Paragraph 81 requires the firm to evaluate the effect of deficiencies noted as a result of the monitoring process ... The IAASB is of the view that another auditor’s confirmation of compliance with ISQC 1 is sufficient. It is therefore not necessary to repeat it in proposed ISA 600 (Revised and Redrafted). If complying with ISQC 1, the other auditor’s firm will address issues noted in recent monitoring reports in accordance with ISQC 1.
36. ... This confirmation is obtained either directly by the group auditor, or by the person assigned operational responsibility for the group auditor’s firm’s quality control system, from the engagement partner, who will be responsible for the work to be performed on the financial information of the component, or the person assigned operational responsibility for the unrelated auditor’s firm’s quality control system.	Paragraph has been deleted		Viewed as application material, but concluded that it was not necessary.
37. The group auditor obtains a copy of any report of the unrelated auditor’s latest review that is published by the body responsible for conducting external quality control reviews, and is publicly available.	Paragraph has been deleted		Based on comments received on the March 2005 Exposure Draft, the IAASB concluded that such reports often are not publicly available.

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			<p>Furthermore, they may not be specific enough for the group auditor to draw any conclusion.</p>
<p>38. When the unrelated auditor is not independent, or the group auditor has serious concerns about the professional qualifications or professional competence of the unrelated auditor, or the quality control system of the unrelated auditor’s firm, the group auditor obtains audit evidence relating to the financial information of the component without using the work of the unrelated auditor. Where the group auditor is unable to obtain sufficient appropriate audit evidence relating to the financial information of the component, the group auditor considers the effect of this scope limitation on the group audit opinion.</p>	<p>Yes</p>	<p>16. When another auditor is not independent of the client, or the group auditor has serious concerns about any of the other matters listed in paragraph 14, the group auditor shall obtain audit evidence relating to the financial information of the component without using the work of that other auditor.</p>	
<p>Enhancing the Understanding of the Group, Its Components, and Their Environments, and Obtaining an Understanding of the Consolidation Process</p>		<p>Obtaining an Understanding of the Group, Its Components, and Their Environments, and Assessing the Risks of Material Misstatement of the Group Financial Statements</p>	
<p>39. The group auditor should enhance the understanding of the group, its components, and their environments, obtained in accordance with paragraph 11, and obtain an understanding of the consolidation process, sufficient to:</p> <p>(a) Identify, at group level, significant risks of material misstatement of the group financial statements, and confirm the group auditor’s initial identification of significant components (see</p>	<p>Yes</p>	<p>17. The group auditor shall enhance the understanding of the group, its components, and their environments obtained during the acceptance or continuance stage, and obtain an understanding of the consolidation process, including the group financial reporting procedures manual, proposed reporting package, and related instructions issued by group management to components.</p> <p>18. The group auditor’s understanding shall be sufficient to identify, at group level, risks of material misstatement</p>	

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<p>paragraph 11);</p> <p>(b) Determine the audit procedures to be performed on the consolidation; and</p> <p>(c) Determine the type of work to be performed on the financial information of the components.</p>		of the group financial statements, confirm the group auditor’s initial identification of significant components, and assess at the group level the risks of material misstatement of the group financial statements. As part of the risk assessment, the group auditor shall determine which of the risks identified are significant risks.	
<p>40. To enhance the understanding of the group, its components, and their environments, and to obtain an understanding of the consolidation process, the group auditor performs the following procedures:</p> <p>(a) Inquiries...</p> <p>(b) Application of analytical procedures...</p> <p>(c) Observation and inspection...</p>	Paragraph has been deleted		See paragraph 7 of ISA 315, “Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement.” The IAASB did not consider it necessary to repeat the requirement in proposed ISA 600 (Revised and Redrafted).
<p>Assessing the Risks of Material Misstatement of the Group Financial Statements at the Group Level</p>			
<p>42. The group auditor should assess, at the group level, the risks of material misstatement of the group financial statements...</p>	Paragraph has been deleted		Section was revised and restructured based on comments received on the March 2005 Exposure Draft. Concept now in paragraph 18.
<p>43. The group auditor’s assessment of the risks at the group level is based on (a) information obtained from the understanding of the group, its components, and their environments, and of the consolidation process, including audit evidence obtained in evaluating the</p>	No		Section was revised and restructured based on comments received on the March 2005 Exposure Draft. Viewed as application

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design and implementation of group-wide controls and controls relevant to the consolidation, and (b) information obtained through discussions with other auditors...			material, but concluded that it was not necessary. See, however, paragraph 15.
44. The application of ISA 550, “Related Parties” to an audit of a complex group structure, will need to recognize that there is heightened risk of not identifying related parties and related party transactions. It is therefore important that, in assessing the risks of material misstatement of the group financial statements, the group auditor and other auditors are alert for transactions that appear unusual in the circumstances, and that may indicate the existence of previously unidentified related parties.	No		Now application material to paragraph 18. See Appendix 3, which lists examples of conditions or events that may indicate risks of material misstatement of the group financial statements. Also see paragraph 40(d).
Materiality		Materiality	
46. The group auditor determines materiality level(s) for the group financial statements as a whole when establishing the overall audit strategy for the audit of the group financial statements. 47. The group auditor should also determine the materiality level(s) to be used by other auditors in performing the work on the financial information of the components for purposes of the audit of the group financial statements. To allow for aggregation of identified misstatements and possible undetected misstatements, the component materiality level(s) are lower than the group materiality level(s).	Yes	19. In addition to materiality determined for the group financial statements as a whole when establishing the overall audit strategy for the group audit (see [proposed] ISA 320, “Materiality in Planning and Performing an Audit”) (“group materiality”), the group auditor shall determine the materiality to be used in planning and performing the work on the financial information of the components for the group audit (“component materiality”). To allow for aggregation of uncorrected misstatements and possible undetected misstatements, component materiality is lower than group materiality.	
49. When planning the work to be performed on the	Yes	20. [Proposed] ISA 320 (Revised) requires the auditor to	

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<p>financial information of a component for purposes of the audit of the group financial statements, the auditor responsible for performing that work ordinarily establishes one or more levels of tolerable error lower than the materiality level(s) referred to in paragraph 47. This will allow for the possibility that some misstatements of lesser amounts than the materiality level(s) for the component could be material in the aggregate.</p>		<p>determine an amount lower than the materiality level for the financial statements as a whole for purposes of assessing the risks of material misstatement and designing further audit procedures to respond to assessed risks. Accordingly, based on component materiality, the group auditor shall also determine such lower amount for purposes of assessing the risks of material misstatement and designing further audit procedures to respond to assessed risks at the component level.</p>	
<p>Responding to Assessed Risks</p>		<p>Responding to Assessed Risks</p>	
		<p>DETERMINING THE WORK TO BE PERFORMED ON THE FINANCIAL INFORMATION OF COMPONENTS</p>	
<p>50. The group auditor should determine the type of work to be performed by the group auditor or other auditors on the financial information of the components to respond to the assessed risks of material misstatement of the group financial statements.</p>	<p>Yes</p>	<p>21. The group auditor shall determine the work to be performed by the group auditor or the other auditors on the financial information of the components to obtain sufficient appropriate audit evidence to reduce audit risk for the group financial statements to an acceptably low level. This determination is based on the significance of the component, the identified significant risks, and the group auditor’s evaluation of the design of group-wide controls and determination whether they have been implemented.</p> <p>22. If the nature, timing and extent of the work to be performed on the financial information of the components are based on an expectation that group-wide controls are operating effectively, the group auditor shall test the operating effectiveness of those controls.</p>	

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DETERMINING THE WORK TO BE PERFORMED ON THE FINANCIAL INFORMATION OF COMPONENTS			
<i>Significant Components</i>		<i>Significant Components</i>	
<p>52. For a component that, due to the nature of and circumstances specific to that component, has been identified at the group level as likely to include significant risks of material misstatement of the group financial statements (see paragraph 15), the group auditor ordinarily performs or requests other auditors to perform one of the following:</p> <ul style="list-style-type: none"> • An audit in accordance with ISAs using either a materiality level determined by the group auditor; or a lower materiality level determined by the other auditor where the circumstances in paragraph 57 apply. • An audit of specified account balances relating to the identified significant risks. • Specified audit procedures relating to the identified significant risks. 	Yes	<p>23. For a component that is significant due to its nature and circumstances, the group auditor, or another auditor at the request of the group auditor, shall perform one of the following:</p> <p>(a) An audit performed using either a materiality level determined by the group auditor; or a lower materiality level determined by the other auditor where the circumstances in paragraph 30 apply.</p> <p>(b) An audit of specified account balances relating to the identified significant risks.</p> <p>(c) Specified audit procedures relating to the identified significant risks.</p>	To enhance consistency in practice, the IAASB concluded that this should be a requirement.
<p>53. For a component that, due to its individual financial significance to the group, is likely to include significant risks of material misstatement of the group financial statements (see paragraph 16), the group auditor ordinarily performs or requests other auditors to perform an audit in accordance with ISAs, using either a materiality level determined by the group auditor; or a lower materiality level determined by the other auditor</p>	Yes	<p>24. For a component that is significant due to its individual financial significance to the group, the group auditor, or another auditor at the request of the group auditor, shall perform an audit using either a materiality level determined by the group auditor; or a lower materiality level determined by the other auditor where the circumstances in paragraph 30 apply.</p>	To enhance consistency in practice, the IAASB concluded that this should be a requirement.

<p>“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft</p>	<p>“Shall” in Proposed ISA 600 (Revised and Redrafted)?</p>	<p>Equivalent in Proposed ISA 600 (Revised and Redrafted)</p>	<p>Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))</p>
<p>where the circumstances in paragraph 57 apply.</p>			
<p><i>Components that are Not Significant in the Aggregate</i></p>		<p><i>Components that are Not Individually Significant</i></p>	<p>Based on comments received on the March 2005 Exposure Draft, the categorization of components has been changed. See paragraphs 24-25 of the Explanatory Memorandum.</p>
<p>54. After determining the work to be performed on the financial information of significant components (see paragraphs 52-53), the group auditor identifies components that are not significant in the aggregate ... For these components, the group auditor’s procedures ordinarily are limited to the analytical procedures performed at the group level.</p>	<p>Yes, but requirement has been revised</p>	<p>25. If the work performed on the financial information of significant components will not result in the group auditor obtaining sufficient appropriate audit evidence to reduce audit risk for the group financial statements to an acceptably low level, the group auditor shall select components that are not individually significant for which the group auditor, or another auditor at the request of the group auditor, shall perform one of the following on the financial information of the individual components selected:</p> <ul style="list-style-type: none"> (a) An audit performed using either a materiality level determined by the group auditor; or a lower materiality level determined by the other auditor where the circumstances in paragraph 30 apply. (b) An audit of specified account balances. (c) Specified audit procedures. (d) A review of the financial information of the component performed in accordance with standards determined by the group auditor. <p>26. For components not selected for the period under audit, the group auditor shall perform analytical</p>	<p>To enhance consistency in practice, the IAASB concluded that this should be a requirement.</p>

<p>“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft</p>	<p>“Shall” in Proposed ISA 600 (Revised and Redrafted)?</p>	<p>Equivalent in Proposed ISA 600 (Revised and Redrafted)</p>	<p>Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))</p>
		<p>procedures at the group level.</p>	
<p>COMPONENTS SUBJECT TO AUDIT BY STATUE, REGULATION OR OTHER REASON</p>		<p>COMPONENTS SUBJECT TO AUDIT BY STATUE, REGULATION OR OTHER REASON</p>	
<p>57. Stature, regulation or other authority may require the audit of the financial statements of a component. The group auditor may decide to use this audit to provide audit evidence for the purposes of the audit of the group financial statements. In these circumstances, the group auditor evaluates the effect of the financial reporting framework applied in preparing the financial statements of the component, and the auditing standards applied by the other auditors. The group auditor also considers whether the audit of the financial statements of the component will be performed in time to communicate the other auditor’s memorandum or report of work performed to the group auditor ...</p> <p>58. When the group auditor decides to use the audit of the financial statements of a component performed by another auditor to provide audit evidence for purposes of the audit of the group financial statements, the risk assessment procedures and further audit procedures may have already been performed by the other auditor at the component (for example a component acquired close to the group reporting date). To meet the requirements described in paragraphs 59-68, the group auditor reviews the risk assessment procedures and further audit procedures already performed, and determines the additional audit procedures to be performed.</p>	<p>Yes</p>	<p>30. The other auditor may be required by statute, regulation or for another reason to express an audit opinion on the financial statements of a component. The group auditor may decide to use this audit to provide audit evidence for the group audit, provided the requirements of this ISA are met.</p> <p>31. If the group auditor decides to use the audit required by statute, regulation or for another reason to provide audit evidence for the group audit, the group auditor shall:</p> <p>(a) Evaluate the effect of the financial reporting framework applied in preparing the financial statements of the component and the auditing standards applied by the other auditor where they are different from those applied in preparing the group financial statements and in the audit thereof, and determine whether additional audit procedures are necessary; and</p> <p>(b) Consider whether the audit of the financial statements of the component will be completed in time to meet the group reporting timetable.</p>	
<p>INVOLVEMENT IN THE WORK OF OTHER</p>		<p>INVOLVEMENT IN THE WORK PERFORMED BY</p>	

<p>“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft</p>	<p>“Shall” in Proposed ISA 600 (Revised and Redrafted)?</p>	<p>Equivalent in Proposed ISA 600 (Revised and Redrafted)</p>	<p>Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))</p>
<p>AUDITORS</p>		<p>THE OTHER AUDITORS</p>	
		<p>27. The group auditor shall determine the group auditor’s involvement in the work performed by the other auditors (see paragraph 2). This determination is based on the significance of the component, the identified significant risks, and the group auditor’s understanding of the other auditors.</p>	
<p>59. Involvement in the work performed by another auditor ordinarily includes the group auditor undertaking some or all of the following actions:</p> <ul style="list-style-type: none"> • Meeting with component management to obtain an understanding of the component and its environment. • Performing risk assessment procedures and participating in the assessment of risks of material misstatement. • Determining and performing further audit procedures. These may be performed with the other auditor, or by the group auditor. • Participating in the closing and other key meetings between the other auditor and component management. • Reviewing relevant parts of the other auditor’s audit documentation. <p>In the case of an unrelated auditor, the group auditor may request a related auditor to undertake the actions on behalf of the group auditor.</p>	<p>No</p>		<p>Now included in paragraph 2, which explains the effect on audit risk of using the work of other auditors. It states that to obtain sufficient appropriate audit evidence to reduce audit risk for the group financial statements to an acceptably low level, the group auditor may need to be involved in the work performed by the other auditors. Involvement in the work performed by the other auditors may include the group auditor undertaking, for example, some or all of the following actions ...</p>

<p>“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft</p>	<p>“Shall” in Proposed ISA 600 (Revised and Redrafted)?</p>	<p>Equivalent in Proposed ISA 600 (Revised and Redrafted)</p>	<p>Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))</p>
<p><i>Significant Components – Risk Assessment</i></p>		<p><i>Significant Components – Risk Assessment</i></p>	
<p>61. When another auditor is requested to perform the work on the financial information of a significant component, the group auditor should be involved in the other auditor’s risk assessment to identify significant risks of material misstatement of the group financial statements.</p> <p>62. When an unrelated auditor performs the work on the financial information of a significant component, the group auditor, or a related auditor on behalf of the group auditor, is involved in the unrelated auditor’s risk assessment procedures. As part of this involvement, the group auditor or the related auditor:</p> <p>(a) Discusses with component management the component’s business activities that are significant to the group, including the regulatory, economic and political environments in which those activities take place;</p> <p>(b) Discusses with the unrelated auditor the susceptibility of the component to material misstatement of the financial information due to fraud or error; and</p> <p>(c) Reviews the unrelated auditor’s documentation of the identified and assessed risks of material misstatement ...</p> <p>63. When a related auditor performs the work on the financial information of a significant component, the group auditor reviews the related auditor’s documentation of the identified and assessed risks of material misstatement ...</p> <p>64. When a related auditor, on behalf of the group auditor, has been involved in the risk assessment</p>	<p>Yes</p>	<p>28. When another auditor performs the work on the financial information of a significant component, the group auditor shall be involved in the other auditor’s risk assessment to identify significant risks of material misstatement of the group financial statements. The nature, timing and extent of the group auditor’s involvement are affected by the group auditor’s understanding of the other auditor. At a minimum, the group auditor shall:</p> <p>(a) Discuss with the other auditor or component management the component’s business activities that are significant to the group, including the regulatory, economic and political environments in which those activities take place;</p> <p>(b) Discuss with the other auditor the susceptibility of the component to material misstatement of the financial information due to fraud or error; and</p> <p>(c) Review the other auditor’s documentation of the identified and assessed risks of material misstatement. Such documentation may be in the form of a memorandum, reflecting the other auditor’s conclusion with regard to the identified and assessed risks of material misstatement.</p>	<p>The distinction between related and unrelated auditors has been eliminated. See paragraphs 8-15 of the Explanatory Memorandum.</p>

“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft	“Shall” in Proposed ISA 600 (Revised and Redrafted)?	Equivalent in Proposed ISA 600 (Revised and Redrafted)	Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))
procedures of an unrelated auditor, the group auditor reviews the related auditor’s documentation of that involvement ...			
<i>Significant Components – Further Audit Procedures</i>		<i>Identified Significant Risks of Material Misstatement – Further Audit Procedures</i>	
<p>65. When significant risks of material misstatement of the group financial statements have been identified in a component on which another auditor performs the work, the group auditor and the other auditor together should determine the further audit procedures to be performed to respond to the identified significant risks.</p> <p>67. When a related auditor, on behalf of the group auditor, has been involved in the further audit procedures of an unrelated auditor, the group auditor reviews the related auditor’s documentation of that involvement...</p>	Yes	29. When significant risks of material misstatement of the group financial statements have been identified in a component on which another auditor performs the work, the group auditor together with the other auditor shall determine the further audit procedures to be performed to respond to the identified significant risks. The group auditor shall determine whether, based on the group auditor’s understanding of the other auditor, it is necessary to be involved in performing further audit procedures.	The distinction between related and unrelated auditors has been eliminated. See paragraphs 8-15 of the Explanatory Memorandum.
Consolidation		Consolidation Process	
69. The group auditor should determine the work to be performed on the consolidation to respond to the assessed risks of material misstatement of the group financial statements arising from the consolidation process.	Yes	32. The group auditor shall determine the work to be performed on the consolidation process to respond to the assessed risks of material misstatement of the group financial statements arising from the consolidation process.	
70. The consolidation process may require adjustments to amounts reported in the group financial statements that do not pass through the usual transactions processing system, and that may not be subject to the	Yes, but parts have been moved to the application	33. The consolidation process may require adjustments to amounts reported in the group financial statements that do not pass through the usual transaction processing systems, and that may not be subject to the same	Also see paragraph A29.

“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft	“Shall” in Proposed ISA 600 (Revised and Redrafted)?	Equivalent in Proposed ISA 600 (Revised and Redrafted)	Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))
<p>same internal controls to which other financial information is subject. These adjustments typically consist of consolidation adjustments and reclassifications. The group auditor:</p> <p>(a) Considers the appropriateness and completeness of the consolidation adjustments, as well as the accuracy of calculations;</p> <p>(b) Considers whether the consolidation adjustments appropriately reflect the events and transactions underlying the adjustments;</p> <p>(c) Determines whether significant adjustments have been correctly processed, authorized by group management and, where applicable, by component management, and are supported by sufficient appropriate documentation; and</p> <p>(d) Checks the reconciliation and elimination of intra-group transactions and unrealized profits, and intra-group account balances.</p>	material	internal controls to which other financial information is subject. These adjustments typically consist of consolidation adjustments and reclassifications. The group auditor shall evaluate the appropriateness, completeness and accuracy of the adjustments, and consider whether indicators of possible management bias exist.	
<p>71. Components that operate in diverse industry segments, or are located in jurisdictions that require different financial reporting frameworks, may use inconsistent accounting policies ... In these circumstances, the group auditor considers whether group or component management has appropriately adjusted the component’s financial information for purposes of preparing and presenting the group financial statements. Where another auditor performs the work on the financial information of a component, and component management has made such adjustments, the group auditor requests the other auditor to confirm to the</p>	Yes	<p>34. If a component’s financial information has not been prepared in accordance with the accounting policies applied to the group financial statements, the group auditor shall evaluate whether the component’s financial information has been appropriately adjusted for purposes of preparing and presenting the group financial statements.</p>	

“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft	“Shall” in Proposed ISA 600 (Revised and Redrafted)?	Equivalent in Proposed ISA 600 (Revised and Redrafted)	Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))
group auditor that such adjustments have been made.			
72. The group auditor should determine whether the financial information identified in the communication of the other auditor is the financial information that is incorporated in the group financial statements. (See paragraph 103(e).)	Yes	35. The group auditor shall determine whether the financial information identified in the other auditor’s memorandum or report of work performed is the financial information that is incorporated in the group financial statements.	
73. If the group financial statements include the financial statements of any components with year-ends that differ from that of the group, the group auditor determines whether this is acceptable under the applicable financial reporting framework. The group auditor also considers the component’s results between its financial year-end and the date of the group financial statements, and identifies significant transactions, including intra-group transactions and unrealized profits, or other events and disclosures that need to be reflected in or eliminated from the group financial statements. Where another auditor performs the work on the financial information of a component, the group auditor requests the other auditor to perform the procedures the group auditor considers necessary for that consideration and identification.	Yes	36. If the group financial statements include the financial statements of any components with financial reporting period-ends that differ from that of the group, and consolidation adjustments have not been made in this respect, the group auditor shall determine whether this is acceptable under the applicable financial reporting framework. Where it is not acceptable, and the effect on the group financial statements may be material, the group auditor shall identify any significant transactions, including intra-group transactions and unrealized profits, or other events and disclosures that need to be reflected in or eliminated from the group financial statements.	
74. Sometimes adjustments that are processed on consolidation relate to misstatements. Where these adjustments have not been processed in the relevant component’s accounting records, the group auditor requests group management to have them processed appropriately and, if applicable and not prohibited by confidentiality requirements, informs the other auditor.	Paragraph has been deleted		Viewed as an accounting matter rather than an audit matter.

<p>“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft</p>	<p>“Shall” in Proposed ISA 600 (Revised and Redrafted)?</p>	<p>Equivalent in Proposed ISA 600 (Revised and Redrafted)</p>	<p>Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))</p>
<p>Subsequent Events</p>		<p>Subsequent Events</p>	
<p>75. For significant components, the group auditor should perform, or request other auditors to perform, procedures designed to identify events at those components between the dates of the financial information of the components and the date of the auditor’s report on the group financial statements. The group auditor determines the date up to which subsequent events reviews at components are performed, i.e., the date of the auditor’s report on the group financial statements.</p>	<p>Yes</p>	<p>37. For significant components, the group auditor shall perform, or request the other auditors to perform, procedures designed to identify events at those components between the dates of the financial information of the components and the date of the auditor’s report on the group financial statements.</p>	
<p>76. For components that are significant in the aggregate, the group auditor ordinarily inquires from other auditors whether they are aware of subsequent events that may require an adjustment to or a disclosure in the group financial statements.</p>	<p>Yes</p>	<p>38. For components that are not individually significant, the group auditor shall require the other auditors to communicate to the group auditor whether they are aware of subsequent events that may require an adjustment to or a disclosure in the group financial statements.</p>	
<p>Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained</p>		<p>Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained</p>	
<p>EVALUATING THE ADEQUACY OF ANOTHER AUDITOR’S WORK</p>		<p>EVALUATING THE OTHER AUDITOR’S MEMORANDA OR REPORTS OF WORK PERFORMED</p>	
		<p>42. Based on the group auditor’s evaluation of the other auditors’ memoranda or reports of work performed, the group auditor shall determine whether it is necessary to discuss significant matters arising from another auditor’s memorandum or report of work performed</p>	<p>This section, and those that follow, have been revised and restructured based on comments received on the March 2005 Exposure Draft.</p>

“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft	“Shall” in Proposed ISA 600 (Revised and Redrafted)?	Equivalent in Proposed ISA 600 (Revised and Redrafted)	Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))
		with the other auditor, component management or group management; and whether it is necessary to review other relevant parts of another auditor’s audit documentation.	The other auditor’s memoranda or report of work performed now forms the basis of the group auditor’s decision as to the procedures to be performed in relation to the other auditor’s work. See paragraphs 8-15 of the Explanatory Memorandum.
77. The group auditor should evaluate the adequacy of the work of another auditor for the group auditor’s purposes.	No		See paragraph 42.
79. When other auditors performed the work on the financial information of significant components or components that are significant in the aggregate, the group auditor reads the other auditors’ reports or memorandums of work performed, including the other auditors’ lists of uncorrected misstatements...	No		See paragraph 42.
80. When another auditor performed the work on the financial information of a significant component, the group auditor should review relevant parts of the other auditor’s audit documentation...	No		See paragraph 42.
81. The parts of another auditor’s audit documentation that will be relevant may vary depending on the circumstances. Ordinarily the group auditor, or a related auditor on behalf of the group auditor, focuses on audit documentation that is relevant to the significant risks of material misstatement of the group financial	No		Now application material to paragraph 42. See paragraph A31.

“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft	“Shall” in Proposed ISA 600 (Revised and Redrafted)?	Equivalent in Proposed ISA 600 (Revised and Redrafted)	Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))
statements...			
82. When a related auditor, on behalf of the group auditor, has reviewed an unrelated auditor’s audit documentation, the group auditor reviews the related auditor’s review memorandum, including the conclusions reached on the adequacy of the work of the unrelated auditor for the group auditor’s purposes.	No		The distinction between related and unrelated auditors has been eliminated. See paragraphs 8-15 of the Explanatory Memorandum.
83. If the group auditor concludes that the work of another auditor is inadequate for the group auditor’s purposes, the group auditor determines additional procedures to be performed. Depending on the circumstances, such additional procedures are performed by the other auditor or by the group auditor.	Yes	43. If the group auditor concludes that the work of another auditor is inadequate for the group auditor’s purposes, the group auditor shall determine additional procedures to be performed, and whether such additional procedures are to be performed by the other auditor or by the group auditor.	
SUFFICIENCY AND APPROPRIATENESS OF AUDIT EVIDENCE		SUFFICIENCY AND APPROPRIATENESS OF AUDIT EVIDENCE	
84. The group auditor evaluates whether sufficient appropriate audit evidence has been obtained from the audit procedures performed on the consolidation, and the work performed on the financial information of the components on which to base the group audit opinion. This evaluation includes the work performed by other auditors.	Yes	44. The group auditor shall evaluate whether sufficient appropriate audit evidence has been obtained from the audit procedures performed on the consolidation process and the work performed by the group auditor and the other auditors on the financial information of the components, on which to base the group audit opinion.	
85. If the group auditor concludes that sufficient appropriate audit evidence has not been obtained, the group auditor obtains further audit evidence, if possible. In the case of components on which other auditors performed the work, the group auditor may request the other auditors to perform additional procedures. If this	No		See paragraph 42.

“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft	“Shall” in Proposed ISA 600 (Revised and Redrafted)?	Equivalent in Proposed ISA 600 (Revised and Redrafted)	Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))
is not feasible, the group auditor performs the group auditor’s own procedures on the financial information of the components. When the group auditor has not been able to perform sufficient additional audit procedures, the group auditor considers the effect of this scope limitation on the group audit opinion...			
Considering the Other Auditor’s Memorandum or Report of Work Performed		Consider the Effect of the Other Auditor’s Memoranda or Reports of Work Performed on the Auditor’s Report on the Group Financial Statements	
		45. The group auditor shall consider the effect of any disagreement with component management or inability to obtain sufficient appropriate audit evidence on the group audit opinion.	
86. The group auditor should consider the effect of the other auditor’s memorandum or report of work performed (see paragraph 103) on the auditor’s report on the group financial statements.	No		See paragraphs 42 and 45.
REPORTING CONSIDERATIONS			
88. The group auditor considers whether matters communicated by another auditor are of such a nature and significance in relation to the group financial statements that a modification of the auditor’s opinion on the group financial statements is required.	No		Not considered unique to group audits. Concept dealt with in proposed ISA 705, “Modifications to the Opinion in the Independent Auditor’s Report.”
89. ... The group auditor considers the aggregated effect of the uncorrected immaterial misstatements of the	Yes	46. The group auditor shall consider the aggregate effect of the uncorrected immaterial misstatements of the	

“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft	“Shall” in Proposed ISA 600 (Revised and Redrafted)?	Equivalent in Proposed ISA 600 (Revised and Redrafted)	Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))
financial information of the components on the group audit opinion.		financial information of the components on the group audit opinion.	
		47. Unless relevant to the modification of the group audit opinion, the group auditor shall not refer to the involvement of the other auditors in the auditor’s report on the group financial statements.	Based on comments received on the March 2005 Exposure Draft. See paragraph 7 of the Explanatory Memorandum.
Communication with Group Management and Those Charged with Governance		Communication with Group Management and Those Charged with Governance of the Group	
COMMUNICATION WITH GROUP MANAGEMENT		COMMUNICATION WITH GROUP MANAGEMENT	
90. The group auditor makes group management aware, as soon as practicable and at an appropriate level of responsibility, of material weaknesses in the design or operation of group-wide controls, including controls over the preparation and presentation of the group financial statements. The group auditor also makes group management aware of material weaknesses in internal controls at components that have been identified by the group auditor, or that have been brought to the attention of the group auditor by other auditors, that the group auditor judges are of significance to the group.	Yes	48. The group auditor shall make group management aware, on a timely basis and at an appropriate level of responsibility, of: (a) Material weaknesses in the design or operation of group-wide controls, including controls over the preparation and presentation of the group financial statements; (b) Material weaknesses in internal controls at components that have been identified by the group auditor, or that have been brought to the attention of the group auditor by the other auditors, that the group auditor judges are of significance to the group.	
91. If fraud has been identified in components, or information indicates that a fraud may exist, the group auditor communicates this as soon as practicable to group management. If the group auditor believes or suspects that group management may be involved in the fraud, the group auditor communicates this to those	Yes	49. If fraud has been identified in components, or information indicates that a fraud may exist, the group auditor shall communicate this as soon as practicable to group management. If the group auditor believes or suspects that group or component management may be involved in the fraud, the group auditor shall	

“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft	“Shall” in Proposed ISA 600 (Revised and Redrafted)?	Equivalent in Proposed ISA 600 (Revised and Redrafted)	Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))
charged with Governance.		communicate this to those charged with governance of the group.	
COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE		COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE OF THE GROUP	
<p>93. In an audit of group financial statements, the group auditor should also communicate the following to those charged with governance of the group:</p> <p>(a) The portion of the group financial statements on which the group auditor and related auditors will perform the work, and the portion of the group financial statements on which unrelated auditors will perform the work.</p> <p>(b) The components that have been identified as significant.</p> <p>(c) Instances where the group auditor is concerned about the professional qualifications, independence, and professional competence of another auditor and the related effect on the group auditor’s planned involvement in the work to be performed by that other auditor.</p> <p>(d) The planned type of work to be performed on the financial information of the components.</p> <p>(e) The group auditor’s planned involvement in the work to be performed by other auditors on the financial information of significant components.</p> <p>(f) Instances where the group auditor’s evaluation of the work of another auditor gave rise to a concern about the quality of the work performed by that</p>	Yes	<p>51. In a group audit, the group auditor shall communicate with those charged with governance of the group the following matters in addition to those required by [proposed] ISA 260, “Communications with Those Charged with Governance:”</p> <p>(a) The planned work to be performed on the financial information of the components.</p> <p>(b) The group auditor’s planned involvement in the work to be performed by the other auditors on the financial information of significant components.</p> <p>(c) Instances where the group auditor’s evaluation of the work of another auditor gave rise to a concern about the quality of the work performed by that other auditor.</p> <p>(d) Any limitations on the group audit. For example, the group auditor’s access to component information, those charged with governance of components, component management, or the other auditors (including relevant audit documentation sought by the group auditor) may have been restricted.</p>	The paragraph has been revised based on comments received on the March 2005 Exposure Draft and further deliberations by the IAASB.

“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft	“Shall” in Proposed ISA 600 (Revised and Redrafted)?	Equivalent in Proposed ISA 600 (Revised and Redrafted)	Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))
<p>other auditor.</p> <p>(g) Any limitations on the audit of the group financial statements. For example, the group auditor’s access to component information, those charged with governance of components, component management, or other auditors (including relevant parts of their audit documentation) may have been restricted.</p>			
<p>Communications with Another Auditor</p>		<p>Communication with the Other Auditors</p>	
<p>95. When another auditor performs the work on the financial information of a component, the group auditor should communicate the group auditor’s requirements to the other auditor. The group auditor issues this communication as early as possible, ordinarily in the form of a letter of instruction that sets out (a) the work to be performed, (b) the nature of the other auditor’s memorandum or report of work performed, and (c) the confirmations required by the group auditor ...</p>	<p>Yes</p>	<p>39. The group auditor shall communicate, as early as possible, the group auditor’s requirements to the other auditor. This communication, ordinarily in the form of a letter of instruction, sets out the work to be performed and the form and content of the other auditor’s memorandum or report of work performed.</p>	
<p>96. The group auditor requests the other auditor to confirm (a) receipt of the group auditor’s letter of instruction, (b) that the other auditor will undertake the requested work, and (c) that the other auditor understands that the group auditor will consider and may use the other auditor’s work for purposes of the audit of the group financial statements.</p>	<p>No</p>		<p>Viewed as application material. See paragraphs A12 and Appendix 5.</p>
<p>97. In the case of an unrelated auditor, the group auditor requests confirmation whether (a) the unrelated auditor’s firm’s quality control system complies with ISQC 1, and</p>	<p>No</p>		<p>The distinction between related and unrelated auditors has been eliminated. See</p>

“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft	“Shall” in Proposed ISA 600 (Revised and Redrafted)?	Equivalent in Proposed ISA 600 (Revised and Redrafted)	Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))
(b) there are any issues noted in recent monitoring reports that are likely to significantly affect the work that the unrelated auditor will perform on the financial information of the component (see...			paragraphs 8-15 of the Explanatory Memorandum. See, however, paragraph 15.
<p>98. The group auditor’s confirmation requirements should include the following:</p> <p>(a) Confirmation whether the other auditor sufficiently understands, and will comply with, the relevant ethical requirements, including independence, to fulfill the other auditor’s responsibilities in the audit of the group financial statements.</p> <p>(b) Confirmation whether the other auditor sufficiently understands the applicable financial reporting framework to fulfill the other auditor’s responsibilities in the audit of the group financial statements. (The group financial reporting procedures manual often describes the characteristics of the applicable financial reporting framework.)</p> <p>(c) Confirmation whether the other auditor sufficiently understands the auditing or other standards applicable to the audit of the group financial statements to fulfill the other auditor’s responsibilities in the audit of the group financial statements ...</p>	No		Based on respondents’ request that the IAASB reconsider the number and appropriateness of the proposed requirements, the IAASB has concluded that this paragraph could be viewed as application material. See paragraphs A12 and Appendix 5.
<p>99. The group auditor should communicate the following to the other auditor:</p> <p>(a) The type of work to be performed on the financial</p>	Yes	<p>40. The group auditor’s communication about the work to be performed shall include the following:</p> <p>(a) Component materiality, the lower amount for</p>	

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<p>information of the component.</p> <p>(b) The materiality level for the component and the threshold above which misstatements cannot be regarded as clearly trivial to the group financial statements.</p> <p>(c) Significant risks, including fraud risks, identified at the group level that are relevant to the work of the other auditor ... The group auditor should request the other auditor to inform the group auditor of any other identified significant risks that may affect the group financial statements.</p> <p>100. The group auditor communicates to the other auditor laws and regulations applicable to the parent that are relevant to the other auditor’s work. The group auditor requests the other auditor to communicate any non-compliance with laws and regulations applicable to the component that could materially affect the group financial statements.</p> <p>101. The group auditor should provide the other auditor with a list of related parties prepared by group management, and request the other auditor to be alert for transactions that appear unusual in the circumstances and that may indicate the existence of previously unidentified related parties. The group auditor should request the other auditor to communicate the names of any additional related parties, and the types of transactions with such related parties.</p>		<p>purposes of assessing the risks of material misstatement and designing further audit procedures to respond to assessed risks at the component level, and the threshold above which misstatements cannot be regarded as clearly trivial to the group financial statements.</p> <p>(b) Identified significant risks, including fraud risks, that are relevant to the work of the other auditor. This communication occurs when the group auditor is not involved in the other auditor’s risk assessment procedures. The group auditor shall request the other auditor to inform the group auditor of any other identified significant risks that may affect the group financial statements.</p> <p>(c) Laws and regulations applicable to the parent that are relevant to the other auditor’s work. The group auditor shall request the other auditor to communicate any non-compliance with laws and regulations applicable to the component that could materially affect the group financial statements.</p> <p>(d) A list of related parties prepared by group management, and any other related parties the group auditor is aware of. The group auditor shall request the other auditor to communicate the names of any additional related parties, and the types of transactions with such related parties. The group auditor shall communicate such additional related parties to the other auditors.</p>	
102. The group auditor should request timely communication of material weaknesses in controls	No		Based on respondents’ request that the IAASB reconsider the

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<p>that have come to the attention of the other auditor during the performance of the work on the financial information of the component, and information that indicates that a fraud may exist.</p>			<p>number and appropriateness of the proposed requirements, the IAASB has concluded that this paragraph could be viewed as application material. See Appendix 6.</p>
<p>103. The group auditor should obtain from the other auditor a memorandum or report of the work performed on the financial information of the component. In particular, this memorandum or report:</p> <p>(a) States whether the other auditor has complied with the quality control policies and procedures of that auditor’s firm;</p> <p>(b) States whether the other auditor has complied with the relevant ethical requirements, including independence;</p> <p>(c) States whether the other auditor has complied with auditing or other standards applicable to the audit of the group financial statements;</p> <p>(d) States whether the other auditor has complied with the group auditor’s other instructions;</p> <p>(e) Identifies the financial information of the component on which the other auditor is reporting;</p> <p>(f) Sets out the work performed by the other auditor;</p> <p>(g) Lists uncorrected misstatements of the financial information of the component (the list does not include misstatements that were below the threshold communicated by the group auditor for clearly trivial</p>	<p>Yes</p>	<p>41. The other auditor’s memorandum or report of work performed shall contain matters relevant to the group auditor’s conclusion with regard the group audit. In particular, it shall:</p> <p>(a) State whether the other auditor has complied with the quality control policies and procedures of that auditor’s firm;</p> <p>(b) State whether the other auditor has complied with the relevant ethical requirements, including independence and professional competence;</p> <p>(c) State whether the other auditor has complied with the group auditor’s other instructions;</p> <p>(d) Identify the financial information of the component on which the other auditor is reporting;</p> <p>(e) Describe the work performed by the other auditor, including, where applicable, materiality used to plan and perform the work, a list of significant risks identified at the component level that may result in a misstatement in excess of component materiality, the other auditor’s response to such risks, and the results of further audit procedures;</p> <p>(f) List corrected and uncorrected misstatements of the financial information of the component (the list does not</p>	<p>The IAASB is of the view that, at a minimum, it will always be necessary for the group auditor to obtain the information listed in paragraph 41. This information forms the basis of the group auditor’s evaluation as to whether sufficient appropriate audit evidence in relation to the financial information of the components has been obtained (and assists in meeting the audit documentation requirements). Based on this information, the group auditor decides whether to perform additional procedures in relation to the other auditors’ work (including the review of the other auditors’ audit documentation).</p>

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<p>misstatements);</p> <p>(h) Explains material weaknesses in internal control over financial reporting;</p> <p>(i) Sets out other significant matters that the other auditor communicated or expects to communicate to those charged with governance of the component;</p> <p>(j) Sets out any other matters that the other auditor wishes to draw to the attention of the group auditor; and</p> <p>(k) Sets out the other auditor’s findings, conclusions or opinion.</p>		<p>include misstatements that were below the threshold communicated by the group auditor for clearly trivial misstatements), and note identified indicators of possible management bias;</p> <p>(g) Describe any identified material weaknesses in internal control over financial reporting at the component level;</p> <p>(h) Set out other significant matters that the other auditor communicated or expects to communicate to those charged with governance of the component;</p> <p>(i) Set out any other matters that the other auditor wishes to draw to the attention of the group auditor; and</p> <p>(j) Set out the other auditor’s overall findings, conclusions or opinion.</p>	
<p>104. Where the group auditor is unable to obtain the other auditor’s memorandum or report of work performed, the group auditor considers the effect of this scope limitation on the group audit opinion</p>	<p>Paragraph has been deleted</p>		<p>Not considered unique to group audits. Concept dealt with in proposed ISA 705, “Modifications to the Opinion in the Independent Auditor’s Report.”</p>
<p>Communication with Another Auditor Who is Required to Audit the Financial Statements of a Component</p>		<p>(Forms part of the section: Communication with Group Management and Those Charged with Governance of the Group – Communication with Group Management)</p>	
<p>105. Where another auditor is required by statute, regulation or for another reason to express an audit opinion on the financial statements of a component, and the group auditor becomes aware of matters that may be significant to the financial statements of the</p>	<p>Yes</p>	<p>50. Where another auditor is required by statute, regulation or for another reason to express an audit opinion on the financial statements of a component, and the group auditor becomes aware of matters that may be significant to the financial statements of the component</p>	

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<p>component of which component management may be unaware, the group auditor should request group management to inform component management of such matters for the purpose of the component audit ...</p>		<p>of which component management may be unaware, the group auditor shall request group management to inform component management of such matters for the purpose of the component audit. When group management refuses to communicate the matter to component management, the group auditor shall discuss the matter with those charged with governance of the group.</p>	
<p>106. Group management may need to keep certain material sensitive information confidential. In these circumstances, the group auditor ordinarily discusses with group management the risk of component management issuing misleading financial statements, and requests group management to require component management not to issue the financial statements of the component ... When group management remains of the opinion that the matter should not be communicated to component management, the group auditor considers resigning from the engagement.</p>	No		<p>See, however, paragraph 50, which requires the group auditor to discuss the matter with those charged with governance of the group. The revision was based on comments received on the March 2005 Exposure Draft and subsequent deliberations by the IAASB.</p>
<p>Documentation</p>		<p>Documentation</p>	
<p>107 ... In an audit of group financial statements, the group auditor should also document the following:</p> <p>(a) The basis for the group auditor’s conclusion to accept or continue the engagement as regards the group auditor’s ability to obtain sufficient appropriate audit evidence on which to base the group audit opinion where other auditors will perform the work on the financial information of some components.</p> <p>(b) The results of the consideration of the</p>	<p>Yes, but requirement has been significantly revised</p>	<p>52. In a group audit, the group auditor shall document the following matters in addition to those required by ISA 230 (Revised), “Audit Documentation” and the other ISAs:</p> <p>(a) The group auditor’s understanding of the other auditors, and the nature, timing and extent of the group auditor’s involvement in the work performed by the other auditors.</p> <p>(b) The group auditor’s communications with the other</p>	<p>The requirement was revised based on comments received on the March 2005 Exposure Draft. The IAASB also agreed to eliminate those parts of the requirement that are dealt with in other ISAs.</p>

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<p>professional qualifications, independence, and professional competence of the other auditors, and the quality control systems of their firms, and the nature, timing and extent of the group auditor’s or related auditors’ involvement in the work performed by the other auditors.</p> <p>(c) The results of the risk assessment performed at the group level, and a description of the audit procedures to be performed on the consolidation and the work to be performed on the financial information of the components.</p> <p>(d) Identified and assessed significant risks of material misstatement of the group financial statements, the further audit procedures performed to respond to such risks, and the related results.</p> <p>(e) The group auditor’s communications with other auditors about the group auditor’s requirements.</p> <p>(f) The group auditor’s conclusion as to whether the group auditor has obtained sufficient appropriate audit evidence of the adequacy of the work of the group auditor and other auditors for the group auditor’s purposes.</p> <p>(g) The group auditor’s conclusion on uncorrected misstatements, and the effect of the other auditors’ reports or memorandums of work performed on the group audit opinion.</p> <p>(h) Discussions of significant accounting, auditing and financial reporting matters with those charged with governance, group management, component management, or other auditors.</p>		<p>auditors about the group auditor’s requirements.</p>	

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Appendix 2 – Matters About Which the Group Auditor Obtains an Understanding			
GROUP CONTROL ENVIRONMENT			
The group auditor obtains an understanding of the group control environment ...	No		Application material to paragraph 17. See paragraph A16 and Appendix 2.
GROUP-WIDE CONTROLS			
The group auditor obtains an understanding of the group-wide controls ...	No		Application material to paragraph 17. See paragraph A16 and Appendix 2.
Where internal audit is regarded as part of group-wide controls, for example, when the internal audit function is centralized, and the group auditor plans to use the work of internal audit, the group auditor evaluates the competence and objectivity of the internal auditors.	No		Application material to paragraph 17. See paragraph A16 and Appendix 2.
CONSOLIDATION PROCESS			
The group auditor obtains an understanding of the consolidation process...	Yes	17. The group auditor shall enhance the understanding of the group, its components, and their environments obtained during the acceptance or continuance stage, and obtain an understanding of the consolidation process, including the group financial reporting procedures manual, proposed reporting package, and related instructions issued by group management to components.	Also see paragraph A16 and Appendix 2.

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The group auditor ordinarily considers the proposed reporting package for components at an early stage of the audit of the group financial statements, to determine whether it will provide sufficient appropriate information to prepare and present the group financial statements ...	Yes, but only partly	17. The group auditor shall enhance the understanding of the group, its components, and their environments obtained during the acceptance or continuance stage, and obtain an understanding of the consolidation process, including the group financial reporting procedures manual, proposed reporting package, and related instructions issued by group management to components.	Also see paragraphs A17-A20. Respondents were of the view that greater prominence should be given to the group auditor’s consideration of the proposed reporting package and relate instructions issued by group management.
FRAUD			
<p>... In an audit of group financial statements, the group auditor obtains an understanding of the following:</p> <ul style="list-style-type: none"> • Group management’s assessment ... • Group management’s process ... • Whether there are particular components for which a risk of fraud is likely. • How those charged with governance of the group monitor group management’s ... 	No		Application material to paragraph 18. See paragraph A21.
The group auditor inquires of those charged with governance of the group, group management, internal audit (and if considered appropriate, component management, other auditors, and others), whether they have knowledge of any actual, suspected, or alleged fraud affecting a component or the group.	No		Application material to paragraph 18. See paragraph A21.
DISCUSSION AMONG ENGAGEMENT TEAM MEMBERS REGARDING THE RISKS OF MATERIAL MISSTATEMENT OF THE GROUP FINANCIAL			

<p>“Should” Requirements and Present Tense Statements in the March 2005 Exposure Draft</p>	<p>“Shall” in Proposed ISA 600 (Revised and Redrafted)?</p>	<p>Equivalent in Proposed ISA 600 (Revised and Redrafted)</p>	<p>Comments (Paragraph References are to Proposed ISA 600 (Revised and Redrafted))</p>
<p>STATEMENTS, INCLUDING RISKS OF FRAUD</p>			
<p>... The group auditor determines, based on prior experience with the group and knowledge of current developments, who to include in the discussions, how and when they occur, and their extent. In an audit of group financial statements, the group auditor and other auditors may also discuss these matters.</p> <p>... The group auditor, or a related auditor on behalf of the group auditor, holds discussions with other auditors who perform work on the financial information of significant components.</p>	<p>No</p>		<p>Application material to paragraph 18. See paragraph A22.</p>

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