

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 IAPS, “The Audit of Group Financial Statements”

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| Introduction | | | | |
| | | <p>Paragraph 1</p> <p>This International Auditing Practice Statement (IAPS) provides practical assistance to auditors in applying International Standards on Auditing (ISAs) to the audit of group financial statements. This IAPS does not establish new requirements for, or exemptions from, the requirements of ISAs.</p> | | Paragraph deleted |
| 1.1 | ICAI ASC | Why is this not dealt with in the IAPS. | No | IAPS cannot establish new requirements, or exemptions from requirements in ISAs. |
| | | <p>Paragraph 2</p> <p>Where the group auditor decides to use the work of a related auditor or other auditor in the audit of the group financial statements, this IAPS is to be read in conjunction with proposed ISA 600, “The Work of Related Auditors and Other Auditors in the Audit of Group Financial Statements.”</p> | | Paragraph deleted |
| 2.1 | RREGAL | As currently drafted an auditor who departs from the practice statement would have to be prepared to explain how the requirements in the International Standards on Auditing (ISAs) that this practice statements address have been complied with if he or she issues a sole responsibility report but not if he or she chooses to take advantage of national standards that allow divided responsibility reporting. This seems illogical considering that the practice statement addresses the requirements of ISAs that apply equally to divided responsibility and sole responsibility | Yes | Agenda Item 7-A, Appendix, paragraphs 2-4 and 11-13 Agenda Item 7-A, paragraphs 14-16 |

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| | | <p>audits (for example, paragraphs 22 to 27 deal with the application of ISAs 610, “Considering the Work of Internal Audit”, a standard that applies to all audits). Furthermore, even the guidance that relates only to ISA 600, “The Work of Related Auditors and Other Auditors in the Audit of Group Financial Statements” deals with aspects of that standard that are applicable (or should be made applicable) to both types of audit. I do not believe the application of the International Auditing Practice Statement (IAPS) should be limited to sole responsibility audits but that it should also apply to those audits where the auditor chooses a way of conducting the audit that renders the issue of a divided responsibility audit report necessary or desirable.</p> <p>The IAASB is producing this practice statement because it believes auditors need guidance on how to apply the ISAs to group audits. It surely cannot believe that an auditor who needs guidance on how to apply ISAs to a sole responsibility group audit will not need guidance on how to apply ISAs to a divided responsibility group audit. Similarly, it cannot believe that regulators or other users of audit reports need something to help them understand what is expected in a sole responsibility group audit but do not need anything to help them understand what is expected in a divided responsibility group audit. It seems to me that the IAASB is not itself sure about how divided responsibility reporting fits in with the recent fundamental changes to the audit standards, and that is why it is unable or unwilling to produce such guidance. This might indicate that the time has come for the IAASB to drop its acceptance of divided responsibility reporting, a practice that arose in the days when auditors and audit standards adopted an approach to auditing that was based more on substantive testing of transactions and balances and less on understanding the entity and its environment.</p> | | |
| | | <p>Paragraph 3</p> <p>The guidance in this IAPS applies when the group auditor takes sole responsibility for the audit opinion on the group financial statements.</p> | | Paragraph deleted |
| 3.1 | FSR ASC | In general it should be argued why the guidance only considers the “sole responsibility case” and not the case of “division of responsibility”. Not that we disagree, but some arguments are needed. | NA ¹ | Agenda Item 7-A, Appendix, paragraphs 2-4 and 11-13 |

¹ NA = Not Applicable

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| 3.2 | ICAEW | <p>There is much useful material in the IAPS that is relevant to the group audit where there is division of responsibility. Reference to this might be useful at the outset.</p> <p>Paragraph 4</p> <p>The guidance in this IAPS is 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 guidance also applies 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> | NA | <p>Agenda Item 7-A, paragraphs 14-16</p> <p>Agenda Item 7-A, Appendix, paragraphs 2-4 and 11-13</p> <p>Agenda Item 7-A, paragraphs 14-16</p> <p>Paragraph deleted, but see definition of “group financial statements” (ISA XXX.4(f))</p> |
| 4.1 | 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> <p>Paragraph 5</p> <p>For purposes of this IAPS, financial statements that include the financial information of one or more components are referred to as “group financial statements,” and the process by which the financial information is included in the group financial statements is referred to as the “consolidation process.”</p> <p>Paragraph 6</p> | No | <p>ISA XXX.4(f)</p> <p>Last paragraph of ISA XXX.4</p> <p>ISA XXX 2</p> |

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| | | <p>Group management is responsible for the preparation and presentation of group financial statements that give a true and fair view (or are presented fairly, in all material respects) in accordance with the applicable financial reporting framework. Group management is also responsible for designing and implementing internal controls over the preparation and presentation of the group financial statements.</p> <p>Paragraph 7</p> <p>The group auditor is responsible for expressing an 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.</p> | | ISA XXX.3 |
| 7.1 | FSR ASC | <p>Paragraph 6 states that the responsibility for determining the work to be performed rests with the group auditor. The headline "responsibility" could be used as well explicitly as a headline in the ISA (the paragraph 10 of the ISA).</p> <p>Paragraph 8</p> <p>Appendix 1 contains definitions of important terms used in this IAPS.</p> | No | <p>ISA XXX.2-3 – heading deleted</p> <p>Paragraph deleted – definitions incorporated in ISA XXX.4</p> |
| 8.1 | RREGAL | Paragraph 8 is a new departure for the IAASB. Previously, definitions used in an IAPS were defined in the body of the IAPS and a glossary was used to explain any technical terms. This, for example, was the practice adopted in IAPS 1012, "Auditing Derivative Financial Instruments", where necessary definitions were built into the text. I believe that the same approach should be followed for this IAPS. | Yes | ISA XXX.4 |
| Acceptance and Continuance as Group Auditor | | <p>Paragraph 9</p> <p>Proposed ISA 600 requires the group auditor to consider whether the group auditor's involvement, including the</p> | | ISA XXX.11-18 – section redrafted and restructured |

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| | | <p>involvement of related auditors, in the audit of the group financial statements is sufficient to be able to act as group auditor.</p> <p>Paragraph 10</p> <p>In order to decide whether to accept an engagement to audit group financial statements, the group auditor ordinarily considers information provided by group management, and holds discussions with group management and, where applicable, the previous group auditor to obtain a preliminary understanding of the following:</p> <ul style="list-style-type: none"> • Group structure. • Business activities of the components. • Regulatory, economic and political environments in which the components' business activities take place. • Individual financial significance of the components. • Existence of group-wide controls (see paragraph 35). • Whether other auditors will perform work on components' financial information and, if so, the individual financial significance of those components. • Professional qualifications, independence, professional competence and resources of the other auditors, and quality control processes of the other auditors' firms (see paragraphs 19-21). • Extent to which the group auditor will have access to component information, component management and the related auditors and other auditors, including their working papers. • Whether group management has experienced difficulties in the past with regard to the integrity and competence of component management. | | <p>ISA XXX.5-10 – section redrafted and restructured</p> |
| 10.1 | LSCA | <p>The only major comment on the IAPS is that it should be explanatory to the material in the standard and not paraphrase or repeat the requirements in the standard by using different words. This can be confusing. For example paragraph 8 of the standard gives 6 bullets on matters to be assessed in considering acceptance and continuance.</p> | Yes | ISA XXX.6 |

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| | | Paragraphs 10 to 16 also give lists that are similar, but not the same. | | |
| 10.2 | FSR ASC | Paragraph 10 requires through discussions with group management and perhaps the former group auditor in *no. 8 a preliminary understanding of the extent to which the group auditor will have access to necessary information. This seems a vague statement since the real objective should be to understand how the necessary access in fact is secured. A potential group auditor could never accept a limitation of scope up front. Paragraph 17/18 on the Terms of the engagement and paragraph 67 on a limitation of scope seem correctly to build on the necessity of unlimited access. | Yes | ISA XXX.5, 6 (last bullet), 19-23 |
| 10.3 | FEE | We are of the opinion that the guidance on obtaining a preliminary understanding upon acceptance of a group audit in paragraph 10 should be expanded to consider the use of service organizations including shared service centres. We believe that proposed revised ISA 600 and IAPS should also provide guidance for a group audit where important parts of the financial reporting process of the company are performed by a service organization, for instance the preparation of (part of) the financial statements by a shared service centre often located in a different country. It is not unusual to use a related or other auditor to perform the audit work in such cases. | Part | ISA XXX.6 (Third bullet) Standards and guidance on audit considerations relating to entities using service organization are provided in ISA 402 |
| 10.4 | PWC | This paragraph refers to “ <i>individual financial significance</i> ” in the fourth and sixth bullet point. We have also noted that the term is used in over thirty other instances in the proposed revised ISA 600 and the proposed IAPS. Given its frequency, we believe that this term needs to be defined so that it is clear whether IAASB intends it to be synonymous with the concept of materiality or whether it is intended to convey a different level of importance to, or have a different impact than, the term materiality. | Yes | ISA XXX.9 |
| 10.5 | 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 |
| 10.6 | CICA | This paragraph should include items noted in proposed revised ISA 600 paragraph 8 (b) and 8 (c) in deciding whether to accept an engagement. This paragraph refers to “Individual financial significance of the components” as a factor in deciding whether to | Yes | ISA XXX.6 and 8 |

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| | | <p>accept an engagement. 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>This paragraph refers to "Professional qualifications, independence, professional competence and resources of the other auditors, and quality control processes of the other auditors' firms (see paragraphs 19-21)" as a factor in deciding whether to accept an engagement. This statement should be amended to be consistent with proposed ISA 600 paragraph 8 (d) as follows:</p> <p>Professional qualifications, independence, professional competence and resources of the other auditors, and quality control processes of the other auditors' firms (see paragraphs 19-21).</p> | | |
| 10.7 | APB | 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. | Yes | ISA XXX.6 |
| 10.8 | NYSSCPA | <p>The comments above on the ISA 600 ED about the other auditors' knowledge of the financial reporting framework also apply to paragraph 10 of the proposed IAS.</p> <p>The comments above about the group auditors' 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" apply to paragraphs 10 and 19 as well. Procedures for executing these responsibilities should be articulated.</p> | | See Agenda Item 7-E.2 |
| 10.9 | IDW | The section on acceptance and continuance would need substantial revision based upon our general and specific comments on the Standard. | Yes | <p>Agenda Item 7-A, Appendix, paragraphs 8-10</p> <p>ISA XXX 5-18</p> |
| 10.10 | NIVRA | This paragraph refers to " <i>individual financial significance</i> " in the fourth and sixth bullet point. We have also noted that the term is used in over thirty other instances in the proposed revised ISA 600 and the proposed IAPS. Given | Yes | ISA XXX.9 |

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| | | <p>its frequency, we believe that this term needs to be defined so that it is clear whether IAASB intends it to be synonymous with the concept of materiality or whether it is intended to convey a different level of importance to, or have a different impact than, the term materiality.</p> <p>Paragraph 11</p> <p>The group auditor applies professional judgment in considering the sufficiency of the group auditor's involvement in the audit of the group financial statements. In most cases the group auditor will wish to directly perform, or for related auditors to directly perform, the work on the financial information of components that are of individual financial significance and components that may include significant risks of material misstatement of the group financial statements.</p> | | ISA XXX.11-18 – section redrafted and restructured |
| 11.1 | PWC | The second sentence in this paragraph suggests that “ <i>the group auditor will “wish” to directly perform...work on the financial information...</i> ”. As noted earlier in our response, 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”. Therefore we would expect the group auditor to use professional judgment to determine the extent of the work on significant components. We therefore recommend removing that the second sentence in its entirety so that the proposed revised ISA 600 is consistent with this principle throughout. | Yes | Agenda Item 7-A, Appendix, paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |
| 11.2 | NIVRA | The second sentence in this paragraph suggests that “ <i>the group auditor will “wish” to directly perform...work on the financial information...</i> ”. As noted earlier in our response, 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”. Therefore we would expect the group auditor to use professional judgment to determine the extent of the work on significant components. We therefore recommend removing that the second sentence in its entirety so that the proposed revised ISA 600 is consistent with this principle throughout. | Yes | Agenda Item 7-A, Appendix, paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |
| 11.3 | IOSCO | Paragraph 11 – Add a sentence at the end to state “If the group auditor or related auditor does not directly perform | Yes | ISA XXX.69-76 and 88-95 |

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| | | work on such components, the group auditor arranges for participation in or review of the work performed by other auditors as described in paragraph 27 of ISA 600. | | |
| | | <p>Paragraph 12</p> <p>It will be unusual for a group auditor to accept an engagement to audit group financial statements where the group auditor and related auditors directly perform work on less than approximately 50% of the group assets, liabilities, cash flows, profit or turnover, unless the group auditor will be able to resolve this insufficiency by participating appropriately in the work to be performed by the other auditors on the components' financial information (see paragraph 9 of proposed ISA 600).</p> | | ISA XXX.11-18 – section redrafted and restructured |
| 12.1 | ICAEW | The IAPS suggests that it will be unusual for a group auditor to accept engagements where the group auditor and related auditors perform work directly on less than approximately 50% of the group's assets, liabilities, cash flow, turnover, etc.(paragraph 12). Any benchmark such as this is liable to be treated as rule, regardless of whether it is intended to be treated this way. Compliance with the letter of such rules is likely to be interpreted as sufficient. This is likely to result in the automatic acceptance of '51 % audits' in inappropriate cases. We believe that a requirement for the auditor to use his judgment in justifying whether the proportion of the group audited is adequate would represent a much higher, and better hurdle than any '50% test'. | Yes | Agenda Item 7-A, Appendix, paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |
| 12.2 | ICAP | The requirement appears to be too restrictive. In our opinion the purpose of ISAs is to provide guidance and not to issue regulations that come under the purview of local regulators. Therefore, IAASB should avoid prescribing percentage of work performed, as these decisions mainly depend on the risk assessment of a particular component/subsidiary and hence should be left to the judgment of the relevant auditor. | Yes | Agenda Item 7-A, Appendix, paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |
| 12.3 | CGA | <p>Paragraph 12 discusses that the group auditor should not accept an engagement unless they directly perform work on at least 50% of the assets, liabilities, cash flow or turnover.</p> <p>There should be no set percentage of the assets, liabilities, cash flow or turnover that determines if the group auditor can perform the audit on group financial statements. By imposing a set percentage, you may eliminate small and medium size practices from performing the audit of group financial statements that they, and a group of auditors</p> | Yes | Agenda Item 7-A, Appendix, paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |

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| | | that they have assembled, are capable of performing. Auditing firms may have relationships with other auditors to work on group financial statements, and the relationship may be such that the qualification and quality control systems are similar but the firms are not technically related. As long as the group auditor has performed the proper due diligence in establishing the relationship with the other auditors, no set percentage needs to be applied. | | |
| 12.4 | PWC | <p>This paragraph suggests that it will be unusual for a group auditor to accept an engagement to audit group financial statement 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. The guidance also suggests that the group auditor “will wish” to directly perform (or related auditors to directly perform) the work on the financial information of components that are of individual financial significance and components that may include significant risks of material misstatement in the financial statements.</p> <p>Whilst we recognize that a group auditor might consider the risk too high of accepting an engagement at which the audit of the components represents less than 50% value of the financial statements, we feel that setting such a percentage is not consistent with the sentiment in Paragraphs 11 and 13 that reflect on the importance of the group auditor being involved in the audit of components that are of individual financial significance, or the group auditor’s consideration of significant risks of material misstatement. We therefore propose that the first sentence in Paragraph 12 is amended as follows: <i>“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% other auditors directly perform work on the majority of the group assets,”</i>. This will allow the auditor to use their own judgment as to what the majority means, which includes application of their own firm’s risk policies and procedures.</p> <p>Furthermore, we recommend making this guidance more prominent by transferring it to the proposed revised ISA 600 (following Paragraph 9).</p> | Yes | <p>Agenda Item 7-A, Appendix, paragraphs 8-10</p> <p>ISA XXX.11-18 – section redrafted and restructured</p> |
| 12.5 | JICPA | Paragraph 12 states that it will be unusual for a group auditor to accept an engagement to audit group financial statements where the group auditor and related auditor directly perform work on less than approximately 50% of the group assets, liabilities, cash flows, profit or turnover. However, we believe that showing such a percentage is not | Yes | <p>Agenda Item 7-A, Appendix, paragraphs 8-10</p> <p>ISA XXX.11-18 – section</p> |

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| | | <p>appropriate for an international statement. For example, while the other auditor may be highly reliable in some cases, the related auditor may not be reliable in other cases. We are of the opinion that the group auditor's ability for conducting the audit of group financial statements should be determined in substance by considering various matters.</p> <p>Therefore, we propose deleting paragraph 12 stating that "it will be unusual for a group auditor to accept an engagement to audit group financial statements where the group auditor and related auditors directly perform work on less than approximately 50% of the group assets, liabilities, cash flows, profit or turnover".</p> | | redrafted and restructured |
| 12.6 | DNR | This paragraph gives a limit as to how much work the group auditor as a minimum must perform in the audit of group financial statements. First of all we believe such limits should be expressed in the ISA, not in the IAPS. When it comes to the question of setting such limits, we believe it is better to use principles based guidelines. We suggest that IAASB use principles based guidelines instead of a fixed limit. | Yes | <p>Agenda Item 7-A, Appendix, paragraphs 8-10</p> <p>ISA XXX.11-18 – section redrafted and restructured</p> |
| 12.7 | ICAS | <p>'It will be unusual for a group auditor to accept an engagement to audit group financial statements where the group auditor and related auditors directly perform work on less than approximately 50% of the group assets, liabilities, cash flows, profit or turnover, unless the group auditor will be able to resolve this insufficiency by participating appropriately in the work to be performed by the other auditors on the components' financial information (see paragraph 9 of proposed ISA 600).'</p> <p>We support the use of a principles based approach and therefore do not believe that any predetermined percentage should be used to justify the acceptance of an audit engagement. Rather we believe that this matter should be left to the auditor concerned to exercise his professional judgment to determine whether or not to accept the audit engagement.</p> | Yes | <p>Agenda Item 7-A, Appendix, paragraphs 8-10</p> <p>ISA XXX.11-18 – section redrafted and restructured</p> |
| 12.8 | LSCA | Paragraph 12 should be amended by removing "directly perform work on less than approximately 50%" and replacing with the words "do not directly perform work on a significant proportion". We are of the view that this has the effect of increasing the perceived threshold above 50%, level that we thought to be too low. | Yes | <p>Agenda Item 7-A, Appendix, paragraphs 8-10</p> <p>ISA XXX.11-18 – section redrafted and restructured</p> |

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| 12.9 | MS | Similarly we believe that the proportion of the group's assets, liabilities, cash flow, turnover or other key elements audited directly by the group auditor should not be a determinant for the acceptance of the audit appointment. In our view a decision to continue or decline the professional appointment should be a matter of professional judgment for the group auditor, which is compatible with the "sole responsibility" alternative. This approach would also simplify the drafting of the ISA. | Yes | Agenda Item 7-A, Appendix, paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |
| 12.10 | IRE Belgium | Paragraph 12 of the proposed IAPS on "The audit of group financial statements" could, in the opinion of the Board, serve as a future bold paragraph in ISA-600, which deals with sole responsibility, however the quantitative criterion of ' <u>50 % of the group assets, liabilities, cash flows, profit or turnover</u> ' could be restated as ' <u>a substantial portion of the group assets, liabilities, cash flows, profit or turnover</u> '. | Yes | Agenda Item 7-A, Appendix, paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |
| 12.11 | IDW | In line with our comments to the Standard, this paragraph would require substantial revision. We take particular exception to the "50 %" rule and the limitation to "participation" rather than to "participation or review". | Yes | Agenda Item 7-A, Appendix, paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |
| 12.12 | Basel | We also recommend that (current) paragraph 12 of the IAPS be reworded as follows: "A group auditor only accepts an engagement to audit group financial statements when the group auditor and related auditors directly perform work on at least 50% of the group assets, liabilities, cash flows, profit or turnover, unless the group auditor will be able to resolve this insufficiency by participating appropriately in the work to be performed by the other auditors on the components' financial information (see paragraph 9 of proposed ISA 600)." Again, there should be no exceptions to this principle. | Part | Agenda Item 7-A, Appendix, paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |
| 12.13 | HKSA | This paragraph suggests that it will be unusual for a group auditor to accept an engagement to audit group financial statement 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. The guidance also suggests that the group auditor "will wish" to directly perform (or related auditors to directly perform) the work on the financial information of components that are of individual financial significance and components that may include significant risks of | Yes | Agenda Item 7-A, Appendix, paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |

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|-------|------------|---|---------------------|---|
| | | <p>material misstatement in the financial statements.</p> <p>Whilst we recognize that a group auditor might consider the risk too high of accepting an engagement at which his audit of the components represents less than 50% value of the financial statements, we feel that setting a standard amount: “approximately 50%”, is not robust enough to support the sentiment in Paragraphs 11 and 13 that reflect on the importance of the group auditor being involved in the audit of components that are of individual financial significance, or the group auditor’s consideration of significant risks of material misstatement.</p> <p>We therefore propose that the first sentence in Paragraph 12 is amended as follows: “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% <u>other auditors directly perform work on the majority</u> of the group assets.....”. This will allow the group auditor to use own judgment as to what the majority means, which includes application of his own firm’s risk policies and procedures.</p> | | |
| 12.14 | NIVRA | <p>This paragraph suggests that it will be unusual for a group auditor to accept an engagement to audit group financial statement 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. The guidance also suggests that the group auditor “will wish” to directly perform (or related auditors to directly perform) the work on the financial information of components that are of individual financial significance and components that may include significant risks of material misstatement in the financial statements.</p> <p>Whilst we recognize that a group auditor might consider the risk too high of accepting an engagement at which the audit of the components represents less than 50% value of the financial statements, we feel that setting such a percentage is not consistent with the sentiment in Paragraphs 11 and 13 that reflect on the importance of the group auditor being involved in the audit of components that are of individual financial significance, or the group auditor’s consideration of significant risks of material misstatement. We therefore propose that the first sentence in Paragraph 12 is amended as follows: “<i>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% <u>other auditors directly perform work on the majority of the group assets</u>, ”. This will allow the</i></p> | Yes | <p>Agenda Item 7-A, Appendix, paragraphs 8-10</p> <p>ISA XXX.11-18 – section redrafted and restructured</p> |

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| | | <p>auditor to use their own judgment as to what the majority means, which includes application of their own firm's risk policies and procedures.</p> <p>Furthermore, we recommend making this guidance more prominent by transferring it to the proposed revised ISA 600 (following Paragraph 9).</p> <p>Paragraph 13</p> <p>It will also be unusual for a 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 (see paragraph 9 of proposed ISA 600).</p> | | ISA XXX.11-18 – section redrafted and restructured |
| 13.1 | RREGAL | <p>Paragraphs 11, 12 and 13 use unusual phrasing for a document is meant to provide guidance on the application of standards. It is perfectly acceptable, and indeed proper, for a document that merely describes how auditors work to include phrases such as “in most cases the auditor will wish” and “it will be unusual for the auditor to”. However, this document is meant to provide guidance for auditors and if auditors depart from its guidance they have to be prepared to justify that departure (and courts will surely ask them to do so). In that context, is doing something that is unusual a departure or not; is failing to do something that is done in most cases a departure or not? The wording of the exposure draft could make it difficult for auditors to defend themselves in circumstances where it was not intended to do so.</p> <p>I think paragraph 13 could be improved if the correction for the unusual circumstance was placed next to the definition of the unusual circumstance. Also the words “include significant risks” should be changed to “give rise to significant risks”. 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). The sentence should therefore read as follows. “Where components have been identified at the group level as likely to give rise to significant risks of material misstatement of the group financial statements it will be unusual for a group auditor to accept an engagement where those components are audited by other auditors</p> | Part | <p>Agenda Item 7-A, Appendix, paragraphs 8-10</p> <p>ISA XXX.11-18 – section redrafted and restructured</p> |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | unless the group auditor will be able to participate appropriately in the work to be performed by the other auditors on those components' financial information." However, even that construction is somewhat clumsy (and like the version in the exposure draft refers at one point to the component as being the subject of the audit rather than its financial statements). I would therefore suggest the following. "Some components may have been identified at group level as likely to give rise to significant risks of material misstatement of the group financial statements. It would be unusual for a group auditor to accept an engagement if the work to be performed on such components' financial information is to be performed by other auditors unless the group auditor will be able to participate appropriately in the work." Of course, that still leaves open the question of whether an IAPS should use the term "unusual" or whether the second sentence should start "A group auditor does not ordinarily accept an engagement..." | | |
| 13.2 | SAICA | "...the group auditor will be able to resolve such insufficient involvement by participating to an appropriate extent in the work to be performed..." | No | Agenda Item 7-A, Appendix, paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |
| 13.3 | GT | This paragraph states that it would be unusual for a group auditor to accept an engagement where a component audited by another auditor is likely to include significant risks of material misstatement, unless the group auditor can appropriately participate in the other auditor's work. We believe this is unnecessary where there is a division of responsibility, provided the group auditor has communicated with the other auditor regarding significant matters. However, if the group auditor takes sole responsibility, he or she should perform sufficient procedures directly, in lieu of "participating" in the work performed by the other auditor. | Yes | Agenda Item 7-A, Appendix, paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |
| 13.4 | NYSSCPA | Paragraph 13 says that it will be unusual for a group auditor to accept an engagement....unless the group auditor will be able to participate <i>appropriately</i> in the work...." (emphasis added). Paragraph 9 of the proposed IAS provides some explanation. Perhaps the paragraph should say that the auditors should consider whether they are able to participate in the other auditor's work to the extent required by par. 9 of IAS 600. | Part | Agenda Item 7-A, Appendix, paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |
| 13.5 | IDW | We disagree with the first sentence's assertion about an acceptance as described in the first sentence as being | Yes | Agenda Item 7-A, Appendix, |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | unusual. As mentioned, based upon our general and specific comments to the Standard, this paragraph would require substantial revision. | | paragraphs 8-10 ISA XXX.11-18 – section redrafted and restructured |
| 13.6 | Basel | <p>To strengthen the guidance in paragraphs 12 and 13 of the IAPS, we recommend moving paragraph 13 ahead of paragraph 12 because the former contains a more general statement than the latter. In addition, both paragraphs should be formulated in a more positive way.</p> <p>We recommend that (current) paragraph 13 of the IAPS be amended to state that “A group auditor only accepts an engagement to audit group financial statements when the group auditor and related auditors directly perform work on all components that have been identified at the group level as likely to include significant risks of material misstatement of the group financial statements, 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 (see paragraph 9 of proposed ISA 600).” We consider it inappropriate to imply that an engagement might sometimes be accepted notwithstanding that other auditors are to audit high risk components and the group auditor will be unable to participate appropriately in their work.</p> <p>Paragraph 14</p> <p>The extent of the group auditor’s participation in the other auditor’s work is a matter of professional judgment and depends on the circumstances of the engagement. For example, the smaller the portion of the group assets, liabilities, cash flows, profit or turnover on which the group auditor and related auditors directly perform work, the greater the extent of the group auditors’ participation in the other auditor’s work.</p> | Yes | <p>Agenda Item 7-A, Appendix, paragraphs 8-10</p> <p>ISA XXX.11-18 – section redrafted and restructured</p> <p>ISA XXX.11-18 – section redrafted and restructured</p> |
| 14.1 | ICAI ASC | What does “participation” involve e.g. re-performance? | Yes | <p>Agenda Item 7-A, Appendix, paragraphs 8-10</p> <p>ISA XXX.11-18 – section redrafted and restructured</p> |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| 14.2 | GT | <p>As stated previously, the group auditor should directly perform procedures on the majority of the organization. Accordingly, the last sentence of this paragraph would need to be revised to reflect this concept.</p> <p>Paragraph 15</p> <p>The group auditor considers the practicality of participating in the other auditors' 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 the procedures described in paragraph 9 of proposed ISA 600 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 does not accept the engagement.</p> | Yes | <p>Agenda Item 7-A, Appendix, paragraphs 8-10</p> <p>ISA XXX.11-18 – section redrafted and restructured</p> <p>ISA XXX.11-18 – section redrafted and restructured</p> |
| 15.1 | SAICA | The IAPS suggests in paragraph 15 that, where the group auditor cannot sufficiently participate in the work of the other auditor, the group auditor does not accept the engagement. It is suggested that alternatives to declining the engagement be provided. | Yes | ISA XXX.18 |
| 15.2 | IOSCO | <p>Paragraph 15 – Revise the last sentence to read “Where 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 alternative procedures as described in paragraph 27 of ISA 600, the group auditor does not accept the engagement.</p> <p>Paragraph 16</p> <p>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:</p> <ul style="list-style-type: none"> Changes in the group structure since the previous audit, for example acquisitions, disposals or reorganizations, and the impact of these changes on the group auditor's involvement, including the involvement of related | Yes | <p>ISA XXX.21-23, 69-76 and 88-95</p> <p>ISA XXX.11-18 – section redrafted and restructured</p> |

| No. | Respondent | Respondent Comment | Processed | Task Force Comment (where necessary) |
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| | | <p>auditors, in the audit of the group financial statements.</p> <ul style="list-style-type: none"> • Changes in the business activities of the components; and in the regulatory, economic and political environments in which they take place. • Changes in group management or component management. • The group auditor's past experience with regard to the integrity and competence of group management and component management. • Risks of material misstatement, fraud risks and misstatements identified during prior audits of the group financial statements. • Any changes that affect the group auditor's ability to participate in the other auditor's work (see paragraphs 13-15). | | |
| 16.1 | ICAEW | This paragraph should refer to changes in the percentages referred to in paragraph 12. | Yes | ISA XXX.6 (First bullet) |
| 16.2 | LSCA | Paragraph 16 should have a further bullet that is a change in the percentages audited by the principal or related auditors. | Yes | ISA XXX.6 (First bullet) |
| 16.3 | CICA | This paragraph discusses the group auditors "decision" as to whether to continue the engagement. The use of the word "decides" in this paragraph (and others throughout the exposure draft) seems to indicate that the decision 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 continue the engagement etc." | No | |
| Terms of Engagement | | <p>Paragraph 17</p> <p>ISA 210, "Terms of Audit Engagements" contains standards and guidance on agreeing the terms of engagement with a client. In the case of an audit of group financial statements, the financial reporting framework applicable to the group financial statements and arrangements to obtain access to component information, component</p> | | ISA XXX.23-24 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | <p>management and related auditors and other auditors, including their working papers, are established in the group auditor's terms of engagement. In addition, the terms of engagement ordinarily specifies that:</p> <ul style="list-style-type: none"> (a) Communication between the group auditor, related auditors and other auditors will be unrestricted; (b) Any limitations imposed by group management, component management or circumstances on the scope of the work to be performed by related auditors or other auditors will be communicated promptly to the group auditor; (c) Important communications between related auditors or other auditors and component management, including communications on material weaknesses in internal control, will be made available to the group auditor; (d) Important communications between regulatory authorities and components related to financial reporting matters will be made available to the group auditor; and (e) To the extent that the group auditor considers it necessary, the group auditor will be permitted to have access to component information, component management and the related auditors and other auditors, including their working papers, and to perform audit procedures on the components' financial information. | | |
| 17.1 | PWC | <p>Paragraph 17(b) refers to the situations where “<i>limitations imposed by group management ... will be communicated promptly</i>”. We believe this sentence could be misinterpreted to suggest that such limitations are included in the engagement letter. We therefore suggest restructuring the sentence so as to avoid any confusion as follows:</p> <p><u>(b) Group Management, or component management, should promptly communicate any Any imposed limitations on the scope of the work to be performed by the related auditors or other auditors</u> on the scope of the work to be performed by related auditors or other auditors will be communicated promptly to the group auditor;</p> | NA | Subparagraph was deleted |
| 17.2 | CICA | <p>17 (e) discusses access to the working papers of other auditors and related auditors. Limitations on what the group auditor should have access to should be considered, as there may be governing laws in some countries that would prohibit this. This should be clarified.</p> | No | Agenda Item 7-A, paragraphs 11-13 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| 17.3 | RREGAL | In paragraph 17, “specifies” should be “specify”. | Yes | |
| 17.4 | GT | Paragraph 21 of proposed revised ISA 600 discusses certain communications between the group auditor and the component auditor. Paragraph 17 of proposed new IAPS discusses matters relating to the terms of the engagement. Such matters are also relevant to the communications between the group auditor and the component auditor. | No | Agreed, but group management is responsible for ensuring the group auditor’s access Also see redrafted and restructured communications section – ISA XXX.109-114 |
| 17.5 | IDW | Point (e) appears to ignore the limitations on access due to data protection and confidentiality legislation in some countries. | No | Agenda Item 7-A, paragraphs 11-13 |
| 17.6 | NIVRA | Paragraph 17(b) refers to the situations where “ <i>limitations imposed by group management ... will be communicated promptly</i> ”. We believe this sentence could be misinterpreted to suggest that such limitations are included in the engagement letter. We therefore suggest restructuring the sentence so as to avoid any confusion as follows: <u>(b) Group Management, or component management, should promptly communicate any Any imposed limitations on the scope of the work to be performed by the related auditors or other auditors</u> on the scope of the work to be performed by related auditors or other auditors will be communicated promptly to the group auditor; | NA | Subparagraph was deleted |
| 17.7 | IOSCO | Paragraph 17 (b) add to the sentence “and the group auditor will communicate such limitations to those charged with governance of the entity.” Paragraph 18 The group auditor considers including in the terms of engagement the fact that restrictions on the group auditor’s access to component information, component management or the other auditors (see paragraphs 19 and 20 of proposed ISA 600), or on the work to be performed on a component’s financial information (see paragraph 13), | Yes | ISA XXX.106(f) ISA XXX.23 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | will constitute a scope limitation that may impact the auditor's report on the group financial statements. | | |
| 18.1 | NYSSCPA | The comments above with respect to access to component information apply equally to paragraph 18 in this document. | No | Agenda Item 7-A, paragraphs 11-13 |
| 18.2 | IDW | Sometimes these restrictions apply to related auditors too. The paragraph should be amended accordingly. | Yes | ISA XXX.23 - term "other auditors" includes related and unrelated auditors |
| 18.3 | Basel | Paragraph 18 of the proposed IAPS states that the group auditor "considers including in the terms of engagement the fact that restrictions on the group's auditor's access" to information, management or other auditors will constitute a scope limitation that may "impact the auditor's report". We recommend that the guidance indicate that the engagement letter <i>should</i> state that restrictions on access will constitute a scope limitation. The paragraph could be revised to read (for example) "The group auditor ordinarily includes in the terms of engagement ..." We cannot envision any circumstances in which the group auditor might conclude that such a statement should not be included in the terms of engagement. | Yes | ISA XXX.21-23 |
| 18.4 | IOSCO | Paragraph 18 – revise the last sentence to read, "...scope limitation that may impact the ability to complete the audit and/or the auditor's report on the group financial statements. Such a scope limitation may also be an indication of a material deficiency in internal control." | No | But see ISA XXX.23 |
| Other Auditors | | Paragraph 19 Proposed ISA 600 requires the group auditor to consider the professional qualifications, independence, professional competence and resources of the other auditors, and the quality control process of the other auditors' firms. A visit or previous contacts with the other auditor and reviews of the other auditor's work may provide the group auditor with information about the professional competence of the other auditor. In the context of an audit of group financial statements, the sufficiency of the other auditor's understanding of the financial reporting framework | | ISA XXX.25 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | applied in the preparation of the group financial statements is especially important. | | |
| 19.1 | FSR ASC | Paragraph 19 refers to ISA 600 – this reference should be more exact to paragraph 15-18. | NA | |
| 19.2 | 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 their financial information are dealt with in ISA XXX.63 – in most instances analytical review procedures will be performed at group level |
| 19.3 | ICAEW | Paragraph 19 should make specific references to the importance of certain specialist skills required in large, complex group audits, such as treasury, IT, tax and other skills. | Yes | ISA XXX.26 (Last bullet) |
| 19.4 | IRE Belgium | Also, paragraphs 19 and 20 of the IAPS could serve as well as future bold paragraphs in the ISA-600. | No | ISA XXX.25-34 – redrafted and restructured |
| 19.5 | GT | We suggest the following revision to the last sentence of this paragraph: “In the context of an audit of group financial statements, the sufficiency of the other auditor’s understanding of the financial reporting framework and | No | Proposed ISA 200 (Revised), paragraph 42 (i.e., Agenda |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | any applicable regulatory requirements applied in the preparation of the group financial statement is especially important.” | | Item 8-A) |
| 19.6 | IDW | In line with our comments on paragraph 15 in the standard, not only independence, but also consideration of other ethics requirements is important too. In relation to the last sentence, the other auditor (as well as the related auditor) also needs a sufficient understanding of the ISAs. | No | Agreed – therefore dealt with in ISA XXX.110(c) and 114(a) |
| | | <p>Paragraph 20</p> <p>The group auditor’s level of satisfaction with the professional qualifications, professional competence and resources of the other auditor, and the quality control process of the other auditor’s firm, will impact the nature, timing and extent of the group auditor’s participation in the other auditor’s work (see paragraphs 13 and 62) or the procedures performed in relation to the other auditor’s work (see paragraphs 25-28 of proposed ISA 600). For example, the greater the group auditor’s concerns over these matters, the greater the extent of the group auditor’s participation in the other auditor’s work.</p> | | ISA XXX.27 |
| 20.1 | IRE Belgium | Also, paragraphs 19 and 20 of the IAPS could serve as well as future bold paragraphs in the ISA-600. | No | ISA XXX.25-34 – redrafted and restructured |
| | | <p>Paragraph 21</p> <p>When the other auditor is not independent or the group auditor overall 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 group auditor plans to obtain audit evidence relating to the component’s financial information without using the work of the other auditor.</p> | | ISA XXX.34 |
| 21.1 | FSR ASC | Paragraph 19-21 on evaluating other auditors should also include a reference to information from professional bodies or licensing authorities although these references are explicit in ISA 600 paragraph 16. In practice, this information is of more vital importance, compared to the procedures actually mentioned in the IAPS. | Yes | ISA XXX.33 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| 21.2 | CGA | Paragraph 21: If the group auditor is not satisfied as to the independence, professional qualifications, professional competence or resources of the other auditor, they should not rely on the work done by the other auditor. The concerns regarding any one of the above issues should be communicated to group management. If the group or component management is unable or unwilling to have the other auditor replaced, then they should be advised that the group auditor will have to perform additional tests on the component financial statements to satisfy themselves as to whether or not the statements are free of material misstatements. | Yes | ISA XXX.106(c) |
| 21.3 | CICA | This paragraph discusses what the group auditor should do if he/she is not satisfied with the professional qualifications, independence, professional competence and resources of the other auditors. This paragraph should also require the group auditor to consider the impact of not using the other auditor on the engagement, for example, the impact this would have on the timing of the audit and audit fees. | Part | ISA XXX.106(c) and 117(b) |
| 21.4 | IDW | This may not always be possible. In those circumstances, the group auditor may need to consider the implications for the group auditor's report. | Yes | ISA XXX.34 |
| Internal Audit | | Paragraph 22 ISA 610, "Considering the Work of Internal Audit" contains standards and guidance on the external auditor's consideration of the work of internal audit. Where internal audit is regarded as part of group-wide controls (see paragraph 35), and the group auditor plans to use the work of internal audit, the group auditor evaluates the competence and objectivity of the internal auditors. | | Paragraph deleted |
| 22.1 | APB | The guidance in paragraph 22 of the proposed IAPS should be more clear in defining the internal audit activity included within group-wide controls as a "central internal audit" function (i.e. not including internal audit that may be separately established at a component). | Yes | ISA XXX.45 |
| | | Paragraph 23 | | Paragraph deleted |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | The group auditor considers how the activities of internal audit affect the scope of the work to be performed on the components' financial information. This involves considering whether findings from the work of internal audit affect the risk assessment performed at group level (see paragraph 49), and whether the group auditor intends to use the work of internal audit as audit evidence in relation to a component's financial information. For example, material weaknesses in internal control at a component identified by internal audit may affect the group auditor's risk assessment performed at group level. | | |
| 23.1 | FEE | <p>Paragraph 23 of the IAPS requires the group auditor to consider how the activities of internal audit affect the scope of the work to be performed on the component's financial statements. While the paragraph refers to risk assessment procedures performed at group level and to using the work of internal audit as audit evidence in relation to a component's financial information, it is not indicated, that findings from internal audit could assist the group auditor in planning adequate responses to assessed risks of material misstatements. We therefore recommend adding this aspect of the consideration of the work of internal audit by the group auditor in paragraph 23.</p> <p>Paragraph 24</p> <p>Although the group auditor may determine it appropriate to use some of the work of internal audit as audit evidence for components that are of individual financial significance or components identified at group level as likely to include significant risks of material misstatement of the group financial statements, the group auditor ordinarily obtains most of the audit evidence from the group auditor's own procedures and procedures performed by, or performed jointly with, related auditors and other auditors.</p> | NA | Paragraph deleted |
| 24.1 | 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 | Yes | |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | of work that needs to be performed and continue the practice previously applied. | | |
| 24.2 | DNR | <p>This paragraph deals with the group auditors' reliance on audit evidence from internal auditors. ISA 610 deals with this subject. ISA 610 states that the group auditor should consider the activities of internal auditors and their effect, if any, on external audit procedures. The standard requires the auditor to give some consideration to this matter, and if he intends to use specific parts of the internal auditors work, paragraph 16 requires evaluation and testing of it. In ISA 610 there are no quantified limitations regarding how much of the internal auditors work the external auditor can use.</p> <p>The phrase "...the group auditor ordinarily obtains most of the audit evidence from the group auditor's own procedures..." in the proposed IAPS seems to imply that there is a limit. We ask that the relation to ISA 610 and possible limits, are clarified in the final IAPS.</p> | NA | |
| 24.3 | LSCA | <p>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.</p> | Yes | |
| | | <p>Paragraph 25</p> <p>The group auditor may determine it appropriate to use the work of internal audit related to components that are not of individual financial significance or that were not identified at group level as likely to include significant risks of material misstatement of the group financial statements.</p> | | Paragraph deleted |
| 25.1 | APB | <p>Paragraph 25 of the proposed IAPS appears to suggest that the group auditor may rely solely on internal audit to perform audit work at components that are not of individual financial significance or that were not identified at group level as likely to include significant risks of material misstatement of the group financial statements. While not of "individual financial significance" such components could still be "large". The APB believes that for any components that are not of individual financial significance, but are significant in aggregate, a related or other</p> | NA | |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | auditor (i.e. an independent auditor) should be involved and take responsibility for reporting to the group auditor. | | |
| | | Paragraph 26 The group auditor discusses with internal audit the scope of the work to be performed on the components. The group auditor agrees in advance the timing of the work, the extent of audit coverage, test levels and proposed methods of sample selection, documentation of the work performed and review and reporting procedures. The group auditor evaluates the work of internal audit to confirm its adequacy for the group auditor's purposes. | | Paragraph deleted |
| 26.1 | CICA | This paragraph discusses what the group auditor agrees with internal audit. Consideration should be given as to whether a written communication to confirm this information should be required. | NA | |
| | | Paragraph 27 Where the group auditor plans to use the work of internal audit (see paragraph 22) and the work on a component's financial information will be performed by a related auditor or other auditor, the group auditor ordinarily communicates the following to the related auditor or other auditor: <ul style="list-style-type: none"> • The extent to which the group auditor has evaluated the competence and objectivity of the internal auditors, and has evaluated the work of internal audit. • Any additional evaluation the related auditor or other auditor is to perform. • The nature, timing and extent of the work performed or to be performed by internal audit at the component and procedures for coordinating the work of internal audit and that of the related auditor or other auditor. | | Paragraph deleted |
| 27.1 | GT | These paragraphs should reiterate the requirement to test internal audit's work when the auditor intends to use specific work performed by internal audit. | NA | |
| 27.2 | APB | The APB believes that further consideration should be given to paragraph 27 of the proposed IAPS to clarify who is required to make the judgment relating to reliance on the work of internal audit. If the judgment is made by the group auditor (as suggested in the first sentence) it is unclear why the group auditor needs to communicate their | NA | |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | evaluation of the competence and objectivity of the internal auditors. Conversely, if the related auditor or other auditor is required to express an opinion on the components financial statements, they should make their own judgment as to the competence and objectivity of the internal auditors. In these circumstances the work to be performed by internal audit should be discussed and agreed with the related auditor or other auditor, not simply communicated to them by the group auditor | | |
| Materiality | | <p>Paragraph 28</p> <p>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.</p> | | ISA XXX.35 |
| 28.1 | PWC | <p>The proposed IAPS refers to "group materiality", "group planning materiality", as well as "planning materiality for a component". We are concerned about creating new terms and concepts that are not reflected in current ISA 320, "Audit Materiality". While ISA 320 does discuss establishing an acceptable materiality level in designing the audit plan, and considering materiality at both the overall financial statement level and in relation to individual account balances, it does not introduce a concept of "planning materiality". If the guidance on materiality in the proposed IAPS is to be based on the existing ISA, we believe that these paragraphs need to be rewritten so that they are based on the terminology and approach in ISA 320.</p> <p>If this section is not more fundamentally rewritten, as suggested in our earlier comments, Paragraph 28 could be rewritten, for example, as follows.</p> <p><i>ISA 320, "Audit Materiality" contains standards and guidance on materiality and its relationship with audit risk. <u>In planning the audit</u>, the group auditor determines materiality for the group in order to evaluate the effect of misstatements <u>on</u> of the components' financial information and <u>on the</u> consolidation on the group financial statements. The materiality for the group is based on the group financial statements.</i></p> | Yes | ISA XXX.35-39 was aligned with proposals received from the Audit Materiality Task Force |

| No. | Respondent | Respondent Comment | Processed | Task Force Comment (where necessary) |
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| 28.2 | NIVRA | <p>The proposed IAPS refers to “group materiality”, “group planning materiality”, as well as “planning materiality for a component”. We are concerned about creating new terms and concepts that are not reflected in current ISA 320, “<i>Audit Materiality</i>”. While ISA 320 does discuss establishing an acceptable materiality level in designing the audit plan, and considering materiality at both the overall financial statement level and in relation to individual account balances, it does not introduce a concept of “planning materiality”. If the guidance on materiality in the proposed IAPS is to be based on the existing ISA, we believe that these paragraphs need to be rewritten so that they are based on the terminology and approach in ISA 320.</p> <p>If this section is not more fundamentally rewritten, as suggested in our earlier comments, Paragraph 28 could be rewritten, for example, as follows.</p> <p><i>ISA 320, “Audit Materiality” contains standards and guidance on materiality and its relationship with audit risk. In planning the audit, the group auditor determines materiality for the group in order to evaluate the effect of misstatements on the components’ financial information and on the consolidation on the group financial statements. The materiality for the group is based on the group financial statements.</i></p> <p>Paragraph 29</p> <p>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.</p> <p>Paragraph 30</p> <p>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 for a component</p> | Yes | <p>ISA XXX.35-39 was aligned with proposals received from the Audit Materiality Task Force</p> <p>ISA XXX.36</p> <p>ISA XXX.37.</p> |

| No. | Respondent | Respondent Comment | Processed | Task Force Comment (where necessary) |
|------|------------|--|-----------|---|
| | | does not exceed, and in practice sometimes is lower than, group planning materiality. | | |
| 30.1 | PWC | <p>The current guidance in the proposed IAPS in Paragraph 30 concludes by stating that “<i>planning materiality for a component <u>does not exceed, and in practice sometimes is lower than</u>, group planning materiality</i>”. Although the revision to ISA 320 in the Materiality Project is still under development, we believe the guidance in the proposed IAPS could be more directive in this regard.</p> <p>We preferred the guidance proposed by IAASB’s Materiality Task Force as it is more robust -suggesting that the group auditor’s determination of materiality levels for individual components will be lower than the materiality at the overall financial statement level for the group to allow for the aggregation of identified misstatements and the possible existence of undetected misstatements. While the determination of the materiality level for a component is a matter of professional judgment, it would be useful to indicate that it may be affected by factors such as:</p> <ul style="list-style-type: none"> ▪ the structure of the group (for example the number of components and their relative sizes); and ▪ group wide controls (which may affect the auditor’s evaluation of the expected level of misstatements in components). <p>If IAASB is uncomfortable issuing such guidance until ISA 320 is revised, it may be preferable to defer including any guidance on materiality in the proposed IAPS until the Materiality project is completed. Should IAASB decide to proceed with the guidance as drafted, we offer a number of specific suggestions for the wording in the Appendix.</p> | Yes | ISA XXX.35-39 was aligned with proposals received from the Audit Materiality Task Force |
| 30.2 | PWC | <p>The guidance on materiality in this paragraph seeks to discourage the “other auditor” from reporting inconsequential or immaterial misstatements to the group auditor, provided such errors are below a certain threshold that is set by the group auditor. However, as noted in our comments on Paragraph 22 of the proposed revised ISA 600, this guidance is inconsistent with ISA 320, “Audit Materiality” where it is suggested that the [group] auditor should assess whether the aggregate of uncorrected misstatements (or inconsequential misstatements) that have been identified during the audit is material. Whilst we recognize that it is unnecessary to repeat all the Materiality guidance in the proposed IAPS, it should be made clear that it is the responsibility of the group auditor to ascertain whether in aggregate, uncorrected “immaterial” misstatements impact the fair presentation of the group financial</p> | No | The concept of clearly inconsequential misstatements is dealt with in proposed ISA 320 (Revised) – see Agenda Item 9-A (footnote 5) |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|---|---------------------|---|
| | | statements and that ought to include materiality at component level. | | |
| 30.3 | CICA | The last sentence in paragraph 30 should be changed as follows: Planning materiality for a component does not exceed, and in practice sometimes is <u>usually</u> lower than, group planning materiality. | Yes | ISA XXX.37 |
| 30.4 | GT | We suggest the following revision to the last sentence in this paragraph: “Planning materiality for a component does not exceed, and in practice sometimes is usually lower than, group planning materiality.” | Yes | ISA XXX.37 |
| 30.5 | APB | Paragraph 30 of the proposed IAPS should indicate that planning materiality for a component is “ordinarily” lower than group planning materiality rather than is “sometimes” lower. A lower level of planning materiality for a component is ordinarily appropriate to allow for the aggregation of misstatements in different components and to reduce the risk of material misstatement in the group financial statements to an acceptably low level. | Yes | ISA XXX.37 |
| 30.6 | Basel | In several places (paragraphs 30, 54 and 56) the proposed IAPS states or implies that planning materiality thresholds will be different for audits at the component level and audits at the group level and requires the group auditor to assess these differences in determining the scope of the work to be performed. While the proposed guidance is helpful, the Committee looks forward to further exploration and clarification of the relationship between group materiality and component materiality as part of the Board’s project to revise ISA 320 “ <i>Audit Materiality</i> ”. | Yes | ISA XXX.35-39 was aligned with proposals received from the Audit Materiality Task Force |
| 30.7 | NIVRA | The guidance on materiality in this paragraph seeks to discourage the “other auditor” from reporting inconsequential or immaterial misstatements to the group auditor, provided such errors are below a certain threshold that is set by the group auditor. However, as noted in our comments on Paragraph 22 of the proposed revised ISA 600, this guidance is inconsistent with ISA 320, “Audit Materiality” where it is suggested that the [group] auditor should assess whether the aggregate of uncorrected misstatements (or inconsequential misstatements) that have been identified during the audit is material. Whilst we recognize that it is unnecessary to repeat all the Materiality guidance in the proposed IAPS, it should be made clear that it is the responsibility of the group auditor to ascertain whether in aggregate, uncorrected “immaterial” misstatements impact the fair presentation of the group financial statements and that ought to include materiality at component level. | No | The concept of clearly inconsequential misstatements is dealt with in proposed ISA 320 (Revised) – see Agenda Item 9-A (footnote 5) |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|---|---------------------|--|
| 30.8 | NIVRA | <p>The current guidance in the proposed IAPS in Paragraph 30 concludes by stating that “planning materiality for a component <u>does not exceed, and in practice sometimes is lower than</u>, group planning materiality”. Although the revision to ISA 320 in the Materiality Project is still under development, we believe the guidance in the proposed IAPS could be more directive in this regard.</p> <p>We preferred the guidance proposed by IAASB’s Materiality Task Force as it is more robust -suggesting that the group auditor’s determination of materiality levels for individual components will be lower than the materiality at the overall financial statement level for the group to allow for the aggregation of identified misstatements and the possible existence of undetected misstatements. While the determination of the materiality level for a component is a matter of professional judgment, it would be useful to indicate that it may be affected by factors such as:</p> <ul style="list-style-type: none"> ▪ the structure of the group (for example the number of components and their relative sizes); and ▪ group wide controls (which may affect the auditor’s evaluation of the expected level of misstatements in components). <p>If IAASB is uncomfortable issuing such guidance until ISA 320 is revised, it may be preferable to defer including any guidance on materiality in the proposed IAPS until the Materiality project is completed. Should IAASB decide to proceed with the guidance as drafted, we offer a number of specific suggestions for the wording in the Appendix.</p> <p>Paragraph 31</p> <p>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.</p> | Yes | <p>ISA XXX.35-39 was aligned with proposals received from the Audit Materiality Task Force</p> <p>ISA XXX.111(b)</p> |
| 31.1 | CICA | <p>The first sentence should be amended as follows:</p> <p>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.</p> | Yes | ISA XXX.111(b) |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|---|---------------------|---|
| | | Since the group auditor will be communicating the planning materiality, the assumption would be that it is determined by the group auditor. | | |
| 31.2 | Basel | The second sentence of 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." (This concept is also encompassed in the fifth item listed under the corresponding paragraph 22 of ISA 600.) While individual misstatements below some threshold may be individually inconsequential, a component on which a related auditor or other auditor will perform work may have so many individually inconsequential misstatements that they raise questions about the reliability of the component's financial information or internal control system. We believe that the existence of a substantial number of individually inconsequential misstatements is information that the related auditor or other auditor should communicate to the group auditor, and we recommend that the guidance be modified accordingly. The group auditor should consider such information in assessing whether a material weakness in internal controls is present and, as provided in paragraph 88 of the proposed IAPS, is required to be reported to those charged with group governance. ² | No | The concept of clearly inconsequential misstatements is dealt with in proposed ISA 320 (Revised) – see Agenda Item 9-A (footnote 5) |

Obtaining an Understanding of the Components and the Consolidation

| | | | | |
|------|-----|--|-----|------------|
| | | Paragraph 32 | | ISA XXX.41 |
| | | ISA 315, "Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement" contains standards and guidance on the understanding to be obtained of an entity and its environment and the assessment of risks of material misstatement. The application of ISA 315 in an audit of group financial statements is impacted by the fact that the group auditor's understanding and risk assessment includes a number of components, some of which may be audited by related auditors or other auditors. | | |
| 32.1 | IDW | The last sentence presumes that the component's financial information may have been audited. Other types of | Yes | ISA XXX.41 |

² See also the Committee's comment on ISA 700.33(b) in Appendix 2, which addresses the auditor's responsibility with respect to internal control.

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|---|---------------------|--|
| | | <p>engagements could also have been performed. In this section, we appear to be missing the review of predecessor working papers for first-time audits. Furthermore, shouldn't the group auditor review the risk assessments of the component auditors?</p> <p>Paragraph 33</p> <p>The nature, timing and extent of the risk assessment procedures to obtain an understanding of the components and the consolidation (see paragraphs 38 and 39) depend on factors such as the individual financial significance of the components, significant risks identified at group level, and the auditor's experience with the group. The group auditor performs the following risk assessment procedures:</p> <ul style="list-style-type: none"> (a) Inquiries of group management, internal audit, and those responsible for the consolidation and preparation of the group financial statements. (b) Application of analytical procedures to financial information prepared at the group level and at the component level. (c) Observation and inspection of group-wide controls (see paragraph 35) and controls relevant to the consolidation. | | ISA XXX.42 |
| 33.1 | FEE | <p>With regard to the risk assessment procedures required in paragraph 33, the wording of the IAPS implies that the group auditor himself carries out all such procedures described under (a) to (c) although this may not be possible for practical reasons. We therefore recommend that the second sentence should begin with: "The group auditor performs or requires the related or other auditor to perform for components the following risk assessment procedures".</p> | No | <p>This is the risks assessment performed by the group auditor at group level – see ISA XXX.56-57</p> <p>Risk assessments will be performed on significant components – these may be performed by the group auditor or other auditor with the involvement of the group</p> |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|--|---------------------|---|
| 33.2 | CICA | <p>This paragraph refers to “significant risks identified at group level” as a factor in assessing the nature, timing and extent of the risk assessment procedures. Throughout the proposed IAPS, the term “significant risks of material statement of the group financial statements” is used. If there is an intentional difference between these two references, this should be clarified.</p> <p>Paragraph 34</p> <p>In the case of components that are of individual financial significance or 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 consider directing inquiries to component management and, where applicable, the related auditors or other auditors. In addition, the group auditor may consider it necessary to visit the components. Visits enable the group auditor to meet with component management, observe the components’ business activities underlying the financial information to be included in the group financial statements, and to consider regulatory, economic and political environments as they relate to the components.</p> | No | <p>auditor or related auditor on behalf of the group auditor – see ISA XXX.69-72</p> <p>No, the difference is not intentional; however, the first-mentioned is a result of the risk assessment performed by the group auditor at group level</p> <p>Paragraph deleted</p> |
| 34.1 | ICAI ASC | Would this not be impractical and lead to over auditing? | No | ISA XXX.69-72 deal with the group auditor’s involvement in other auditors’ risk assessments |
| 34.2 | CGA | <p>Paragraph 34 discusses that if the group auditor considers that a component has individual financial significance or significant risk, they may wish to visit the component.</p> <p>The guideline should be strengthened to state that the group auditor “should” — not “may” — visit the component. This will give the group auditor a clearer understanding of the component and the related risks.</p> | Yes | ISA XXX.69-72 deal with the group auditor’s involvement in other auditors’ risk assessments |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|---|---------------------|--|
| 34.3 | GT | <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> | Yes | <p>ISA XXX.69-72 deals with the group auditor's involvement in other auditors' risk assessments and ISA XXX.88-95 deal with the adequacy of the other auditors' work</p> |
| | | <p>Paragraph 35</p> <p>The group auditor obtains an understanding of internal controls relevant to an audit of group financial statements (for purposes of this IAPS referred to as "group-wide controls") in order to perform a risk assessment at group level (see paragraph 49) and to determine the scope of work to be performed on components' financial information and on the consolidation. Group-wide controls may include a combination of the following:</p> <ul style="list-style-type: none"> • Consistent policies and procedures, including a group financial reporting procedures manual. • Group-wide programs, such as codes of conduct and fraud prevention programs. • Arrangements for the assignment of authority and responsibility to component management. • Regular meetings between group management and component management to discuss business developments and to review performance. • Group management's process for identifying, analyzing and managing business risks that may impact the components, including the risk of fraud. | | ISA XXX43-46 |

| No. | Respondent | Respondent Comment | Processed | Task Force Comment (where necessary) |
|------|------------|---|-----------|--------------------------------------|
| | | <ul style="list-style-type: none"> • A central IT system controlled by the same general IT controls for all or part of the group. • Control activities within an IT system that is common for all or some components. • Monitoring components' operations and the results thereof, including regular reporting routines, enabling group management to monitor components' performance against budgets, and to take appropriate action. • Monitoring of controls, including activities of internal audit and self-assessment programs. • A process for assessing the accuracy and completeness of financial information received from components, especially those received from components accounted for by the equity method. • Monitoring, controlling, reconciling and eliminating intra-group transactions and intra-group account balances at group level. | | |
| 35.1 | FSR ASC | In paragraph 35 *10 the process for assessing the accuracy and completeness of financial information is seen as <i>especially</i> relevant when equity accounting is used for the components. It is not obvious why this is so. The information should be of the same high quality when the components are consolidated. | Yes | ISA XXX.44 (Fifth bullet) |
| 35.2 | FSR ASC | In paragraph 35 *11 an explicit reference to monitoring, controlling, reconciling and eliminating intra-group unrealised profits could be made as well. The same adjustment could be made in paragraph 39, *3 under Matters relating to consolidation adjustments. | Yes | ISA XXX.44 (Fourth bullet) |
| 35.3 | FEE | <p>Punctuality of delivered financial information within the group is a crucial point for the ability to comply with time restrictions in the preparation of the group financial statements. We believe that where appropriate, timeliness of information should be considered in the proposed IAPS.</p> <p>As an example, we suggest amending the second last bullet of paragraph 35 as follows: "A process for monitoring and assessing the accuracy, timeliness and completeness of financial information received from components, especially those received from components accounted for by the equity method."</p> | Yes | ISA XXX.44 ((Fifth bullet) |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|-------------|--|---------------------|---|
| 35.4 | PWC | <p>We believe that timeliness and punctuality of delivered financial information is critical in the process surrounding the preparation of the group financial statements. We therefore suggest expanding the second last bullet of Paragraph 35 as follows:</p> <p><i>“A process for assessing the accuracyand completeness <u>and</u> timeliness, of financial information received from components, especially those received from components accounted for by the equity method.”</i></p> | Yes | ISA XXX.44 ((Fifth bullet) |
| 35.5 | CICA | <p>The following editorial changes should be considered:</p> <p><u>If the group auditor determines that its understanding is insufficient, the group auditor then</u> obtains, or requires the related auditor or other auditor to obtain, an understanding of components that are of individual financial significance and of components that have been identified at group level as likely to include significant risks of material misstatement of the group financial statements.</p> <ul style="list-style-type: none"> • Group-wide programs, such as codes of conduct and fraud prevention <u>and detection</u> programs. • Control activities within an IT system that <u>is</u> <u>are</u> common for all or some components. | No | <p>Comment not clear</p> <p>These programs normally focus on ethics and prevention – not detection</p> <p>It is the IT system that is common – not the control activities</p> |
| 35.6 | RMAHA-DEVAN | Internal controls- be changed as - evaluates or audit of internal control relevant to reporting of group financial statements. | No | Comment not clear |
| 35.7 | NIVRA | <p>We believe that timeliness and punctuality of delivered financial information is critical in the process surrounding the preparation of the group financial statements. We therefore suggest expanding the second last bullet of Paragraph 35 as follows:</p> <p><i>“A process for assessing the accuracyand completeness <u>and</u> timeliness, of financial information received from</i></p> | Yes | ISA XXX.44 ((Fifth bullet) |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|---|---------------------|---|
| | | <i>components, especially those received from components accounted for by the equity method.”</i> | | |
| | | <p>Paragraph 36</p> <p>Obtaining an understanding of group-wide controls involves evaluating the design of these controls and determining whether they have been implemented. When the group auditor intends to use information about group-wide controls obtained in prior periods, the group auditor inquires from group management and performs other audit procedures, such as walk-through tests, to determine whether changes have occurred that may affect the relevance of such information in the current audit of the group financial statements.</p> | | ISA XXX.46 |
| 36.1 | FEE | <p>Paragraphs 35 and 36 contain some useful guidance in relation to group wide controls. However, the group auditor’s responsibility to perform risk assessment procedures with regard to the group control environment should be considered in further detail. The group control environment includes the attitudes, awareness, and actions of group management and those charged with governance concerning the group wide controls and its importance in the group, the so called “the tone at the top”. Consequently, because group control environment has a significant impact on the practice of group audits, more guidance should be included in that respect.</p> | Yes | ISA XXX.43 |
| | | <p>Paragraph 37</p> <p>The group auditor extends the preliminary understanding of the components and their environments that was obtained as part of the acceptance or continuance procedures (see paragraphs 10 and 16).</p> | | ISA XXX.42 |
| | | <p>Paragraph 38</p> <p>The group auditor uses professional judgment to determine the extent of the understanding required of the components and their environments. The group auditor’s primary consideration is whether the group auditor’s own understanding is sufficient to identify components that are of individual financial significance, components that are likely to include significant risks of material misstatement of the group financial statements, and the risks associated with the consolidation and the presentation of the group financial statements (see paragraph 39). The group auditor then obtains, or requires the related auditor or other auditor to obtain, an understanding of components that are of individual financial</p> | | ISA XXX.42 and 47 |

| No. | Respondent | Respondent Comment | Processed | Task Force Comment (where necessary) |
|------|------------|---|-----------|--|
| | | significance and of components that have been identified at group level as likely to include significant risks of material misstatement of the group financial statements. For example, where a component is manufacturing and selling toxic chemicals, which could give rise to environmental liabilities, the group auditor may consider it appropriate to focus on the business activities of the component that give rise to such business risks, and the aspects of such risks that may give rise to risks of material misstatement of the group financial statements. | | |
| 38.1 | RREGAL | <p>In paragraph 38, I do not think that it is right to allow the group auditor to substitute a related auditor's understanding for his or her own understanding. If it is acceptable then it should be acceptable to allow him or her to substitute the understanding of another auditor, not just a related auditor. The distinction between a related auditor and another auditor is based upon whether or not the auditor is part of the same network as the group auditor as defined for quality control purposes. That distinction surely has no significance for the group auditor's ability to substitute a different auditor's thought processes for his or her own. If the group auditor has identified components as giving rise to risks that require special audit consideration then the group auditor him or herself should obtain an understanding of those components as they affect the group financial statements and should not relay on somebody else's understanding even if that person is part of the same quality control network.</p> <p>Paragraph 39</p> <p>The group auditor obtains an understanding of the consolidation, including controls relevant to the consolidation. The group auditor's understanding includes the following:</p> <p>Matters relating to the applicable financial reporting framework, including the following:</p> <ul style="list-style-type: none"> • Extent to which component management has an understanding of the financial reporting framework and statutory requirements applicable to the group financial statements. • Process for identifying and accounting for components in accordance with the applicable financial reporting framework. • Process for identifying reportable segments for segment reporting in accordance with the applicable financial | Yes | <p>ISA XXX.69-72</p> <p>ISA XXX.48</p> <p>ISA XXX.Appendix 1</p> |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|-----|------------|--|---------------------|---|
| | | <p>reporting framework.</p> <ul style="list-style-type: none"> • Process for identifying related party relationships and related party transactions for reporting in accordance with the applicable financial reporting framework. • Accounting policies applied in the group financial statements, changes from those of the previous financial year, and changes as a result of new or revised standards under the applicable financial reporting framework. • Procedures for dealing with components that have financial year-ends different from that of the group. <p>Matters relating to the consolidation process, including the following:</p> <ul style="list-style-type: none"> • Group management's process for obtaining an understanding of the accounting policies used by components, and for ensuring that either uniform accounting policies are used to prepare the components' financial information for purposes of the group financial statements, or that differences in accounting policies are identified, disclosed and adjusted. • Group management's process for ensuring complete, accurate and timely financial reporting by the components for purposes of the consolidation. • Process for translating the financial information of foreign components into the currency of the group financial statements. • Process for recording consolidation adjustments, including the preparation, authorization and processing of related journal entries, and the experience of personnel responsible for the consolidation. • The organization of IT for purposes of the consolidation, including the automated and manual stages of the process and the manual and programmed controls in place at the various stages of the consolidation process. • Group management's process for obtaining information on subsequent events. <p>Matters relating to consolidation adjustments, including the following:</p> | | |

| No. | Respondent | Respondent Comment | Processed | Task Force Comment (where necessary) |
|------|----------------|---|-----------|---|
| | | <ul style="list-style-type: none"> • Business rationale for consolidation adjustments. • Frequency, nature and size of transactions between components. • Procedures for monitoring, controlling, reconciling and eliminating intra-group transactions and intra-group account balances. • Steps taken to arrive at the fair value of acquired assets and liabilities, procedures for amortizing goodwill (where applicable) and impairment testing of goodwill in accordance with the applicable financial reporting framework. • Arrangements with minority interests regarding losses incurred by a component (for example, an obligation of the minority interest to make good such losses). | | |
| 39.1 | FSR ASC | In paragraph 35 *11 an explicit reference to monitoring, controlling, reconciling and eliminating intra-group unrealised profits could be made as well. The same adjustment could be made in paragraph 39, *3 under Matters relating to consolidation adjustments. | Yes | |
| 39.2 | ICAEW | 13 th bullet should be rationale | Yes | |
| 39.3 | IRE Belgium | Paragraph 39 of the IAPS could be reworded as “ <i>The group auditor obtains an understanding of the consolidation process, including (...)</i> ”, because the term ‘consolidation’ as such is unclear. | Yes | |
| 39.4 | RREGAL | <p>In paragraph 39, all the bullet points in the first block should be preceded by the word “the” as should the third and fourth bullet points in the second block.</p> <p>The first bullet point in the third group (matters relating to consolidation adjustments) is “Business rationale for consolidation adjustments”. Consolidation adjustments are generally required by the financial reporting framework (for example, the writing off of goodwill on acquisition). The business rationale does not enter into matters unless one is talking about the business rationale for the transactions that give rise to the consolidation adjustments.</p> | Yes | Appendix 1, second and third bullet under matters relating to consolidation adjustments |
| 395 | IDW | In relation to the first bullet point of the second group of bullet points, we refer to our comments on paragraph 37 (d) in | Yes | Appendix 1, first bullet under matters relating to the |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|-----|------------|--|---------------------|---|
| | | the Standard. | | consolidation process and last bullet under matters relating to consolidation adjustments |
| | | In relation to the last bullet point in the last group of bullet points, minority interests are discussed. What about guarantees by the majority owner to make good losses? | | |
| | | Paragraph 40 In order to achieve uniformity and comparability of financial information, group management may issue financial reporting procedures manuals, reporting packages and related instructions to components, specifying the requirements relating to the components' financial information to be included in the group financial statements. The instructions ordinarily cover the accounting policies to be applied, statutory and other disclosure requirements applicable to the group financial statements, including the identification and reporting of segments, related party relationships and transactions, intra-group transactions and account balances, and a reporting timetable. | | ISA XXX.48 |
| | | Paragraph 41 The group auditor ordinarily considers the proposed reporting package at an early stage of the audit of the group financial statements to determine whether it will provide group management with sufficient appropriate information to prepare and present the group financial statements. The group auditor's consideration may include the following: <ul style="list-style-type: none"> • The clarity and practicality of the instructions for completion of the reporting package. • The likelihood of component management having an understanding of the financial reporting framework and statutory requirements applicable to the group financial statements. • Whether the reporting package provides for: <ul style="list-style-type: none"> – Disclosures sufficient to comply with the requirements of the financial reporting framework and statutory requirements applicable to the group financial statements, for example disclosure of related party relationships and transactions, and segment information; | | ISA XXX.49 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|---|---------------------|---|
| | | <ul style="list-style-type: none"> – The identification of consolidation adjustments, for example intra-group transactions and balances; and – Approval of the completed package by component management. | | |
| 41.1 | CICA | This paragraph discusses the auditor's responsibility regarding the reporting package. Consideration should be given as to whether it would be appropriate for the group auditor to consider if the reporting package provides group management with sufficient appropriate information to prepare and present the group financial statements, and then audit that same information. | Yes | ISA XXX.49 |
| 41.2 | IDW | In the last point within the last bullet point, we suggest also including approval by the auditor of the component's financial information. | No | The auditor's report / memorandum on the component's financial information will depend on the scope of work performed thereon – see ISA XXX.114 |
| | | <p>Paragraph 42</p> <p>Proposed ISA 240, "The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements" contains standards and guidance on the auditor's responsibility with regard to fraud. In the case of an audit of group financial statements, the group auditor obtains an understanding of the following:</p> <ul style="list-style-type: none"> (a) Group management's assessment of the risks that the group financial statements may be materially misstated as a result of fraud. (b) Group management's process for identifying and responding to the risks of fraud in the group, including any specific fraud risks that group management has identified or account balances, classes of transactions or disclosures for which a risk of fraud may be likely to exist. (c) Whether there are particular components for which a risk of fraud may be more likely to exist. (d) How those charged with governance of the group exercise oversight of group management's processes for | | ISA XXX.50 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | identifying and responding to the risks of fraud in the group, and of the controls that group management has established to mitigate these risks. | | |
| 42.1 | ICAEW | <p>Fraud risk factors are of considerable importance in the audit of groups. Recent experience shows that fraud is often disguised through labyrinthine group structures. The CESR has highlighted the need for auditors to exercise vigilance in their audits of groups with large, complex structures, and the needs for auditors to understand and confirm the economic purposes of SPEs and non-trading entities, and the cash flows and balances that emerge from such entities. The IAPS would greatly benefit from further consideration of complex fraud risk factors (paragraphs 42 and 45 - 48). The factors to be considered of particular relevance to groups might include</p> <ul style="list-style-type: none"> • The existence of business empires (horizontal groups) or unnecessarily complex group structures • Multiple group auditors and/or frequent changes of auditors within the group • The use of opaque special purpose vehicles for, for example, transactions involving innovative and/or complex capital instruments • Rapid growth by acquisition• Excessively creative tax planning within the group • Large cash transactions with entities in tax havens • The implications of transfer pricing • Opaque decision making processes, poor corporate governance structures and/or control of the group by a powerful, long-standing cabal. <p>It would also be helpful if the ISA contained clear recognition of the fact that complex groups in multiple jurisdictions with different auditors are sometimes deliberately structured to confuse and deter auditors and others from probing dubious transactions and arrangements. Guidance on what auditors can do to cut through obfuscation in such circumstances, by means of consulting or liaising with other auditors, for example, would be helpful.</p> <p>Paragraph 43</p> | Part | <p>ISA XXX.Appendix 2</p> <p>ISA XXX.51</p> |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | The group auditor inquires of those charged with governance of the group, group management, internal audit and, if considered appropriate, component management, related auditors, other auditors and others whether they have knowledge of any actual, suspected or alleged fraud affecting a component or the group. | | |
| 43.1 | FEE | <p>The IAPS provides in paragraph 42 and 43 specific guidance on additional considerations in applying ISA 240 on fraud in a group audit. It highlights additional matters about which the group auditor should obtain an understanding in considering risks of material misstatement due to fraud, such as whether there are particular components for which a risk of fraud may be more likely to exist. We are of the opinion that the IAPS should give greater recognition to guidance on areas of the group financial statements with a heightened potential of fraud for instance in respect of:</p> <ul style="list-style-type: none"> • Complex group structures and business operations. • Intra-group and related party relationships and transactions including transfer pricing and intermingling public and private interests. • Complex financial transactions and the use of special purpose entities. • Rapid growth by acquisition. • Excessively creative tax planning including relationship with tax haven companies. • Multiple group auditors and frequent changes of group auditors etc. <p>We also recommend repositioning the guidance on fraud in paragraphs 42 and 43 to after current paragraph 52 as certain elements in the guidance in paragraphs 49 to 52 can be directly linked to fraud.</p> <p>More emphasis on the importance of the group auditor's work on the completeness of the group financial statements (including issues relating to the identification and consideration of special purpose entities) is needed generally.</p> | Part | ISA XXX.Appendix 2 |
| 43.2 | ICAS | We believe that more guidance should be provided here to highlight situations where the perceived risk of fraud is likely to be higher e.g. complex group structures potentially involving the use of a number of special purpose entities; the geographical location of certain components of the group etc. We believe that such material would take account of many of the recently highlighted issues that have affected the profession. | Yes | ISA XXX.Appendix 2 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| 43.3 | CICA | This paragraph discusses to whom the group auditor directs inquiries to determine whether they have knowledge of any actual, suspected or alleged fraud affecting a component or the group. The paragraph refers to "... other auditors and others..." The term "others" in this paragraph should be clarified. | No | In line with equivalent requirement in ISA 240 (Revised), "The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements." |
| 43.4 | APB | <p>The guidance in paragraphs 42 and 43 of the proposed IAPS should give more consideration to important fraud risk factors that may exist in relation to in the audit of groups. These might include:</p> <ul style="list-style-type: none"> • Complex group structures, particularly where there is no clear rationale for the level of complexity or it appears to be designed deliberately to make following the flow and effect of transactions difficult. • The use of special purpose vehicles, for example to transfer items "off balance sheet". • Intra-group transfer pricing. • Related party transactions, particularly with other entities subject to common control but not part of the group for reporting purposes (business empires). • Multiple group auditors and frequent changes of auditors. • Creative tax planning. <p>Paragraph 44</p> <p>ISA 250, "Consideration of Laws and Regulations in an Audit of Financial Statements" contains standards and guidance on the auditor's responsibility to consider laws and regulations in an audit of financial statements. In the case of an audit of group financial statements, the group auditor obtains a general understanding of the laws and regulations applicable to the parent that may have an impact on the group financial statements.</p> | Yes | <p>ISA XXX.Appendix 2</p> <p>ISA XXX.52</p> |
| 44.1 | ICAEW | The group auditor should pass his understanding of laws and regulations on to the other auditors. | Yes | ISA XXX.111(d) |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| 44.2 | FAR | Paragraph 44 guides on consideration of laws and regulations directing the auditor to a general understanding to those applicable to the parent that may have an impact on the group financial statements. Compared to fraud in the preceding paragraphs this is rather limited. In our view the general understanding should also have reference to “significant” components as a minimum (for instance to be included in the discussions according to the last bullet point in paragraph 47). | No | But see ISA XXX.111(d) |
| 44.3 | GT | We suggest providing additional guidance with respect to ISA 250, <i>Consideration of Laws and Regulations in an Audit of Financial Statements</i> , as there may be laws and regulations at a component where noncompliance with such laws and regulations could have a material effect on the parent. | Yes | ISA XXX.111(d) |
| 44.4 | IDW | The use of the word “parent” is not necessary here. In our view, the group auditor needs to obtain an understanding of the laws and regulations applicable to the group as a whole that may have an impact on the group financial statements. | No | But see ISA XXX.111(d) |
| 44.5 | Basel | Paragraph 44 of the proposed IAPS, which also refers to ISA 250, “ <i>Consideration of Laws and Regulations</i> ”, requires the group auditor to obtain a “general understanding” of the laws and regulations applicable to the parent that may have an impact on the group financial statements. Both paragraph 44 and related paragraphs in ISA 250 would be strengthened by substitution of the term “appropriate” for the term “general”. Furthermore, as laws and regulations applicable to other components of the group may have an impact on the group financial statements, the Committee recommends expanding the auditor’s responsibility accordingly. | Part | Proposal to be considered when ISA 250 is revised. See ISA XXX.111(d) |

Discussion Among Engagement Team Members Regarding the Risks of Material Misstatement of the Group Financial Statements, Including Risks of Fraud

Paragraph 45

ISA 315 and proposed ISA 240 require the members of the engagement team to discuss the susceptibility of an entity to material misstatement of the financial statements due to fraud or error, with a specific emphasis on the risks of material misstatement due to fraud. The group auditor uses professional judgment, prior experience with the group and knowledge of current developments to determine who is included in the discussions, how and when they occur, and the extent of the discussions. In the case of an audit of group financial statements there may also be discussions that involve the group auditor and:

ISA XXX.53

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | <ul style="list-style-type: none"> • Related auditors or key members of the related auditors' teams; and • Other auditors or key members of the other auditors' teams. | | |
| 45.1 | RREGAL | <p>The last sentence of paragraph 45 can be rewritten to avoid the use of bullet points as follows. "In the case of an audit of group financial statements there may also be discussions that involve the group auditor and related auditors and other auditors or key members of those auditors' teams." However, a better solution would be to find a generic term for auditors other than the group auditor.</p> <p>Paragraph 46</p> <p>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.</p> | Yes | <p>ISA XXX.53</p> <p>ISA XXX.54</p> |
| 46.1 | RREGAL | Paragraph 46 states that the group auditor may consider it appropriate to participate in the risk assessments of related auditors and other auditors. I do not see how the group auditor can participate in another auditor's assessment of risk. Risk assessment is a mental process that the other auditor undertakes. The group auditor might perform his or her own assessment (or re-assessment) but is not taking part in the other auditor's assessment when he or she does so. | No | ISA XXX.69-72 |
| 46.2 | GT | <p>We recommend expanding on this paragraph to further provide guidance on the requirement to discuss the susceptibility of the entity's financial statements to material misstatement due to fraud.</p> <p>Paragraph 47</p> <p>These discussions provide an opportunity to:</p> <ul style="list-style-type: none"> • Share knowledge of the components and their environments, including group-wide controls; | No | ISA XXX.55 (e.g., third bullet) |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|---|---------------------|---|
| | | <ul style="list-style-type: none"> • Exchange information about the business risks to which the components or the group are subject; • Exchange ideas about how and where the group financial statements may be susceptible to material misstatement due to fraud and error, how group management and component management could perpetrate and conceal fraudulent financial reporting, and how assets of the components could be misappropriated; • Consider practices followed by group management or component management to manage earnings that could lead to fraudulent financial reporting, for example revenue recognition practices that are not in accordance with the applicable financial reporting framework; • Consider the known external and internal factors affecting the group that may create an incentive or pressure for group management, component management or others to commit fraud, provide the opportunity for fraud to be perpetrated, and indicate a culture or environment that enables group management, component management or others to rationalize committing fraud; • Consider the risk of group management or component management overriding controls; • Address the application of the applicable financial reporting framework to the components' facts and circumstances; • Discuss fraud that has been identified in components or information that has been obtained that indicates that a fraud may exist in a component; and • Share information that may indicate non-compliance with national laws or regulations, for example payments of bribes and transfer pricing practices. | | |
| 47.1 | RREGAL | <p>In paragraph 47, the semicolons at the end of the bullet point should be full stops and the “and” at the end of the penultimate bullet point should be deleted. I am also not sure what is meant by “address the application of the applicable financial reporting framework to the components’ facts and circumstances”. Presumably the applicable financial reporting framework referred to is that used for the group financial statements. If that is the case and if the components’ financial information has not been prepared using that framework then what is being discussed is the need for appropriate consolidation adjustments. In any event, the requirement itself is unusual. I am not sure where,</p> | Yes | ISA XXX.55 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | in an audit of single entity financial statements, the auditor's addressing of the application of the applicable financial reporting framework to the entity's facts and circumstances is discussed in the ISAs or other IAPSs. | | |
| 47.2 | IDW | In the last bullet point, we suggest replacing the word "and" with "or". | No | |
| | | <p>Paragraph 48</p> <p>In accordance with paragraph 21 of proposed ISA 600, the group auditor obtains an acknowledgement from the related auditors and other auditors that they have a sufficient understanding of the financial reporting framework applicable to the group financial statements and of the ISAs and national requirements applicable to the audit of the group financial statements. Where a related auditor or other auditor does not have such an understanding, the group auditor considers which steps are necessary to make the related auditor or other auditor aware of significant differences between the financial reporting framework and auditing standards applicable to the group financial statements and the financial reporting framework and auditing standards applicable in the component's jurisdiction.</p> | | Paragraph deleted |
| 48.1 | RREGAL | Paragraph 48 refers to the other auditors having a sufficient understanding without saying what that understanding should be sufficient for. I suggest that the sentence should read, "...that they have a sufficient understanding of the financial reporting framework and other statutory requirements applicable to the group financial statements to enable them to identify matters that need to be brought to the attention of the group auditor." | Yes | ISA XXX.110(d) |
| 48.2 | IOSCO | Paragraph 48 - add to the end of the first sentence "...and a description of the means whereby such knowledge has been obtained." | No | |

Assessing the Risks of Material Misstatement of the Group Financial Statements

Paragraph 49

The group auditor uses the information obtained from the understanding of the components and the consolidation, including audit evidence obtained in evaluating the design and implementation of group-wide controls and controls relevant to the consolidation, and information obtained through discussions with related auditors and other auditors

ISA XXX.57

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|-----|------------|---|---------------------|---|
| | | <p>(see paragraphs 46-48), to assess the risks of material misstatement of the group financial statements.</p> <p>Paragraph 50</p> <p>Examples of conditions or events that may indicate risks of material misstatement of the group financial statements include the following:</p> <ul style="list-style-type: none"> • A complex group structure, especially where there are frequent acquisitions, disposals or reorganizations. • A group that is operationally or geographically dispersed and has inadequate flow of management information. • Group-wide controls do not exist or are not operating effectively. • Components operating in foreign jurisdictions that may be exposed to factors such as government intervention in areas such as trade and fiscal policy, and restrictions on currency and dividend movements; fluctuations in exchange rates; and a lack of understanding in the group of local conditions generated by cultural, political or sociological influences, and the impact of local legislation, for example on matters such as product liability. • Business activities of components that involve high risk, such as long-term contracts or trading in futures. • Uncertainties regarding which components require incorporation in the group financial statements in accordance with the applicable financial reporting framework, for example, the existence of special purpose entities. • Related party relationships and transactions (see paragraph 51). • Intra-group account balances that do not balance or reconcile on consolidation. • Components' application of accounting policies that are not uniform with those applied in the group financial statements. • Components with different financial year-ends, which may be utilized to manipulate the timing of transactions. • Unauthorized or incomplete consolidation adjustments. | | ISA XXX.Appendix 2 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| 50.1 | FEE | We suggest adding to the last bullet point of paragraph 50 “or such adjustments for which the business rationale is not obvious” to make this bullet point in line with the comparable bullet points in paragraph 39 (on obtaining an understanding) and in paragraph 51 (on related parties). | No | But ISA XXX.Appendix 2, third last bullet redrafted |
| 50.2 | FAR | Added to the last bullet point could be “or such adjustments for which the business rationale is not obvious” (compare bullet point on that in paragraph 39 (on obtaining an understanding) and in paragraph 51 (on related parties)). | No | But ISA XXX.Appendix 2, third last bullet redrafted |
| 50.3 | DNR | In the fifth bullet point “ <i>trading in futures</i> ” is used as an example of an event that may indicate risk of material misstatement. In our opinion trading in futures does not in itself increase risk significantly. We believe that “ <i>trading</i> ” is more adequate as an example in this particular case. | Yes | ISA XXX.Appendix 2, third bullet |
| 50.4 | CICA | The third bullet in this paragraph should be amended as follows: Group-wide controls do not exist, <u>are not designed effectively</u> or are not operating effectively. | No | But ISA XXX.Appendix 2, third bullet redrafted |
| 50.5 | RREGAL | In paragraph 50 the second bullet point should refer to “an inadequate flow of management information”, and the third bullet point to “group-wide controls <i>that</i> do not, <i>in fact</i> , exist or <i>that</i> are not operating effectively”. The third bullet point should be two points, with the split coming after “exchange rates”. The penultimate bullet point refers to the possibility that different financial year-ends may be used to manipulate the timing of transactions. The manipulation of timing has more to do with fraud, and should be mentioned as part of the consideration of fraud risk factors. Its inclusion here leads to the implication that the only source of misstatements caused by different year-ends is the manipulation of timing, which is not the case. I suggest that the words after the comma be deleted and that the consideration of the manipulation of timing of transactions in connection with different year-ends be moved to the parts of the document dealing specifically with fraud. | Yes | ISA XXX.Appendix 2 (second and third bullets – redrafted) |
| 50.6 | GT | We suggest the following revision to the third bullet in this paragraph: “Group-wide controls do not exist or are not expected to be designed or operating effectively.” | No | But ISA XXX.Appendix 2, third bullet redrafted |
| 50.7 | AuASB | This paragraph lists several examples of conditions or events that may indicate to the auditor risks of potential material misstatements in the group financial report. We suggest the example (see dot point six) concerning | No | But ISA XXX.Appendix 2, sixth bullet redrafted to also |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | uncertainties that may exist regarding which components (subsidiary entities) need to be consolidated in the group financial report should be expanded. Sometimes there can be considerable uncertainty at the margin about whether an entity in particular circumstances satisfies the criteria under the applicable financial reporting framework to be included in the consolidated financial report. While reference to a special purpose entity is a helpful topical example, perhaps another example based on the criteria in IAS 27 "Consolidated Financial Statements and Accounting for Investments in Subsidiaries" would also be useful. | | refer to "non-trading entities" |
| 50.8 | IDW | In relation to the ninth bullet point, we refer to our comments on paragraph 37 (d) in the Standard. | No | |
| 50.9 | Basel | The fifth bullet in paragraph 50 of the proposed IAPS refers to business activities that involve high risk and cites "trading in futures" as an example. Since futures are exchange-traded contracts with standardized terms, a better example would be "trading in over-the-counter derivative contracts." | Yes | ISA XXX.Appendix 2, fifth bullet |
| | | <p>Paragraph 51</p> <p>ISA 550, "Related Parties" contains standards and guidance on the auditor's responsibilities regarding related parties and transactions with such parties. In the case of an audit of group financial statements, it is especially important that, in assessing the risks of material misstatement of the group financial statements, the group auditor is alert for transactions that appear unusual in the circumstances and may indicate the existence of previously unidentified related parties. Examples of such transactions include:</p> <ul style="list-style-type: none"> • Transactions which have abnormal terms of trade, such as unusual prices, interest rates, guarantees, and repayment terms. • Transactions which lack an apparent logical business reason for their occurrence. • Transactions in which substance differs from form. • Transactions processed in an unusual manner. • Unrecorded transactions such as the receipt or provision of management services at no charge. | | ISA XXX.58 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| 51.1 | ICAEW | Related parties is a very risky area in the audit of many groups. This section should contain more detail on those risks and how they should be identified. There is no indication as to the need for a full list of parties that are related to the group, who should prepare the list, or the need for the list to be communicated between the group auditor, group management and the auditors of components, for example. More emphasis on the importance of the group auditor's work on the completeness of the group financial statements (including issues relating to the identification and consideration of special purposes entities) is needed generally. | Part | ISA XXX.112 |
| 51.2 | RREGAL | I am not sure why the word "especially" is used in paragraph 51. The point is equally important in the audit of single entity financial statements, and that particular type of misstatement is no more important than any other. Paragraph 52 Where the work on a component's financial information will be performed by a related auditor or other auditor, the group auditor ordinarily communicates to the related auditor or other auditor the results of the risk assessment performed at group level (see paragraph 49) that are relevant to the work of the related auditor or other auditor, including identified fraud risks. The group auditor ordinarily requests the related auditor or other auditor to inform the group auditor if information comes to the attention of the related auditor or other auditor that differs significantly from the information on which the group auditor's risk assessment was based. | Yes | ISA XXX.58 ISA XXX.111(c) |
| 52.1 | ICAEW | Similarly, paragraph 52 of the IAPS suggests that the group auditor communicates to the related or other auditors the results of the group risk assessment and requests them to inform the group auditor if information comes to their attention that differs significantly from information on which the group risk assessment was based. Achieving precision in such judgmental communications is difficult and communication of all of the relevant factors would not be cost effective. There is a risk that communication of the group risk assessment would be misunderstood, and that related or other auditors would have problems in determining information that 'differs significantly' from the group risk assessment. We suggest that the IAPS should encourage the group auditor to use his judgment in determining which risk factors need to be communicated, and for group auditors and the auditors of significant components to collaborate in the risk assessment process. | Part | ISA XXX.111(c) and 69-72 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| 52.2 | APB | <p>Paragraph 52 of the proposed IAPS states that “the group auditor ordinarily communicates to the related auditor or other auditor the results of the risk assessment performed at the group level ... [and] ... ordinarily³ requests the related auditor or other auditor to inform the group auditor if information comes to the attention of the related auditor or other auditor that differs significantly from the information on which the group auditor’s risk assessment was based.” This gives rise to two questions:</p> <ol style="list-style-type: none"> (1) What are “the results of the risk assessment” that the group auditor communicates? (2) On the basis of such communication, will the related auditor or other auditor realistically be in a position to identify and inform the group auditor of information that differs significantly from the information on which the group auditor’s risk assessment was based? <p>The APB believes that the group auditor’s communication should include details of the risks of material misstatement identified by the group auditor that are relevant to the work of the related auditor or other auditor. It is not clear if that is what paragraph 52 intends.</p> <p>The APB is concerned that in many cases it would be impractical for the group auditor to communicate sufficient information to enable the related auditor or other auditor to identify and be aware of “information ... that differs significantly from the information on which the group auditor’s risk assessment was based”. The assessment of risk is a very judgmental process, which is difficult to document in a concise manner. The communication of summary assessments of risk (e.g. on a high, medium or low type basis) may be misunderstood and would not be a sufficient basis for the related auditor or other auditor to identify and report information that differs significantly from the information on which the group auditor’s risk assessment was based. Conversely, if the group auditor is required to communicate <u>all</u> of the factors taken into account by the group auditor in making the risk assessment this is likely to be very time consuming and would be difficult for the related auditor or other auditor to understand.</p> <p>As an alternative, the APB suggests that the IAPS should further encourage the group auditor to work</p> | Part | ISA XXX.111(c), 53-55 and 69-72 |

³ The word “ordinarily” is unhelpful and, in the APB’s view, unnecessary given that the usual (and appropriate) conceptual approach is that the auditor is expected to comply with an ISA and, if in unusual circumstances the auditor departs from the ISA, the auditor should be prepared to justify that departure (in accordance with the “Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services”).

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | collaboratively with related auditors and other auditors when assessing risk at the group level and, wherever practicable, the related auditors and other auditors should participate in the discussion required by ISA 315 “Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement” among the engagement team members of the susceptibility of the financial statements to material misstatement. | | |
| 52.3 | Basel | <p>Paragraph 52 of the proposed IAPS states that the group auditor "ordinarily communicates" to the related auditor or other auditor the results of the group level risk assessment to the extent relevant to the related auditor's or other auditor's work. We recommend that paragraph 52 be revised to indicate that the group auditor's communication to the related auditor or other auditor should be in writing.</p> <p>The same paragraph also provides that the group auditor ordinarily <i>requests</i> the related auditor or other auditor to inform the group auditor if significantly different information comes to the related auditor or other auditor's attention than the information on which the group auditor's risk assessment was based. We believe that this guidance should be revised to state that the group auditor ordinarily <i>requires</i> the related auditor or other auditor to so inform the group auditor in writing.</p> | Part | ISA XXX.111(c) |
| Responding to Assessed Risks | | <p>Paragraph 53</p> <p>ISA 330, “The Auditor’s Procedures in Response to Assessed Risks” contains standards and guidance on determining overall responses and designing and performing further audit procedures to respond to the assessed risks of material misstatement. In the case of an audit of group financial statements, the group auditor determines the scope of work to be performed directly, or by related auditors or other auditors, on the components’ financial information and on the consolidation to respond to the assessed risks of material misstatement of the group financial statements.</p> | | ISA XXX.59 |
| 53.1 | RREGAL | The heading above paragraph 53 introduces to the language the verb “to scope”. The IAASB does not usually adopt shorthand phrases, preferring to use full forms where possible, and I do not see why it has suddenly changed its habit here. I suggest that the heading be changed to “Determining the Scope of Work to Be Performed on the | Yes | |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | Components' Financial Information". | | |
| | | <p>Paragraph 54</p> <p>The group auditor may decide to perform, or require the related auditor or other auditor to perform, an audit of a component's financial information based on materiality determined by the group auditor for the component (see paragraph 30). Such materiality ordinarily is higher than materiality determined in the context of the component's financial information (see paragraph 56) and, as a result, the nature, timing and extent of the audit procedures will be different.</p> | | Paragraph deleted |
| 54.1 | RMAHA-DEVA | scoping be changed as Scope of | Yes | |
| | | <p>Paragraph 55</p> <p>The group auditor may also decide to perform, or to require the related or other auditor to perform, a limited scope engagement. The group auditor establishes the objectives of a limited scope engagement and, where applicable, communicates this to the related auditor or other auditor. Limited scope engagements may include one or a combination of the following:</p> <ul style="list-style-type: none"> • A special purpose audit of particular account balances or classes of transactions performed in accordance with the group auditor's instructions. • Specified audit procedures performed in accordance with the group auditor's instructions. (Although similar to agreed-upon procedures dealt with in ISA 920, "Engagements to Perform Agreed-upon Procedures Regarding Financial Information," the specified audit procedures are not agreed with group management, component management or any third parties.) • A review of the component's financial information performed in accordance with ISA 910, "Engagement to Review Financial Statements" and the group auditor's instructions. • Analytical procedures performed by the group auditor on the component's financial information. | | Paragraph deleted |

| No. | Respondent | Respondent Comment | Pro-cess-ed | Task Force Comment (where necessary) |
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| 55.1 | FSR ASC | In paragraph 54 a review of a component is considered a limited scope engagement. This term seems a little confusing to us, since the scope of a review can be understood as meaning the entire financial statements. whereas a special purpose audit of particular balances and classes of trans-actions, specified audit procedures and analytical procedures by the group auditor are truly limited in scope. | NA | |
| 55.2 | FEE | In paragraph 55, no reference is made to the possibility that a limited scope engagement is performed for a particular business process, like accounts transactions, pensions and retirement benefit operations and payroll transactions executed by a third party service organization. Such transactions often have an impact on other parts of the financial reporting process and need due consideration. | No | Standards and guidance on audit considerations relating to entities using service organization are provided in ISA 402 |
| 55.3 | RREGAL | In the second bullet point of paragraph 55, I suggest that “specified audit procedures” should read “specified procedures”. This would help to avoid giving the impression that specified procedures could ever amount to an audit in their own right. | No | |
| 55.4 | IDW | In our view, while the group auditor needs to try to determine the scope of procedures, in the end the group auditor will require agreement of group management, component management, and if involved, any component auditor. | No | The group auditor is responsible for determining the work necessary to obtain sufficient appropriate audit evidence on which to base the audit opinion on the group financial statements – ISA XXX.60 ISA XXX67-68 |
| | | <p>Paragraph 56</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. (In this case, materiality is determined by the auditor who expresses the audit opinion on the</p> | | |

| No. | Respondent | Respondent Comment | Processed | Task Force Comment (where necessary) |
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| | | <p>component's financial information, based on the component's financial statements.) The group auditor may decide that it is efficient and cost-effective to use the audit evidence obtained in the audit of the component's financial statements for purposes of the audit of the group financial statements. However, the component's financial statements may have been prepared in accordance with national accounting standards or the audit may have been conducted in accordance with national auditing standards. In this case, the group auditor considers whether group management or component management has made appropriate adjustments to the component's financial information for purposes of preparing and presenting the group financial statements. The group auditor also performs, or requires the related auditor or other auditor to perform, the audit procedures necessary to enable full compliance with the ISAs relevant to the audit of the group financial statements. In addition, the group auditor determines whether the planning materiality used in the audit of the component's financial statements was less than group planning materiality.</p> | | |
| 56.1 | ICAEW | This paragraph seems to imply that it is unusual for the statutory audit of a component to be combined with the audit for group purposes. It also implies that the statutory audit of a component is normally completed before the group audit. In both cases, the opposite is not uncommon. The paragraph should reflect this and should also make it clear that the other auditor should timetable the work accordingly. | No | |
| 56.2 | RREGAL | The first sentence of paragraph 56 seems to be a long-winded way of 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." I also believe that after the sentence "The group auditor may decide that it is efficient and cost-effective to use the audit evidence obtained in the audit of the component's financial statements for <i>the</i> purposes of the audit of the group financial statements." the following sentence should be added. "However, the group auditor bears in mind that the auditor of the component will not have considered the risk of material misstatements in the group's financial statements when performing the audit of the component's financial statements." If this addition is accepted, the "However," that precedes the next sentence should be deleted. | Yes | ISA XXX.67 |
| 56.3 | APB | The last sentence of paragraph 56 of the proposed IAPS, in the section on responding to assessed risks, states that the group auditor determines whether the planning materiality used in the audit of the component's financial | NA | See ISA 600.34 – last sentence deleted. |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | statements <u>was</u> less than group planning materiality. The use of the past tense is not appropriate; it is important that the group auditor agrees with the related auditor or other auditor the planning materiality to be used in the audit of the component's financial statements before the audit procedures are commenced. | | |
| 56.4 | IDW | Group planning materiality can also be equal to component planning materiality. Hence, we suggest changing the last sentence to read "was less than or equal to". | NA | Last sentence was deleted |
| | | <p>Paragraph 57</p> <p>The diagram below illustrates how the group auditor may decide on the scope of work to be performed on the financial information of components other than those components where the group auditor decides to use the audit evidence obtained in the audit of the component's financial statements in those situations described in paragraph 56. The scope of work to be performed on a component's financial information is a matter of professional judgment and will be impacted by factors such as the individual financial significance of the component, 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 group auditor's evaluation of the design and determination of the implementation of group-wide controls (see paragraph 35).</p> | | ISA XXX.60 |
| 57.1 | FEE | We believe that the reference to "Analytical procedures performed at group level" has been inadvertently omitted in the diagram of paragraph 57 in the box which includes the guidance further clarified in paragraph 61. | Yes | ISA XXX.Appendix 3 |
| 57.2 | PWC | The bottom right hand box in the chart on page 35 could be misinterpreted. It says that ordinarily no audit or review procedures are performed at the component level. However, as noted in Paragraph 61, the auditor ordinarily performs analytical procedures at the group level. To avoid confusion, we suggest that this thought be added to that box. | Yes | ISA XXX.Appendix 3 |
| 57.3 | JICPA | We suggest having a paragraph after paragraph 61 to respond to the sentence in the bottom box in the diagram of paragraph 57, which does not have a reference to any paragraphs. | Yes | ISA XXX.Appendix 3 and ISA XXX.63 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| 57.4 | RREGAL | Although I do not feel strongly on the matter, I believe that it is generally unhelpful to include diagrams in standard setting documents. For example, paragraph 58 states that an audit is ordinarily (but not always) performed on the financial information of components that encompass a large (but not necessarily significant) proportion of the group's operations. The diagram that precedes this paragraph implies that an audit is always carried out but only on components of individual financial significance (irrespective of the proportion of the group's operations they represent). It is this difficulty of ensuring that the diagram is unlikely to be interpreted differently from the text that makes me suggest that the diagram be omitted. Diagrams risk oversimplifying complex subject matters, thereby not including all factors that the main text contains. This then leads to the impression that an item not mentioned in the diagram is of secondary importance and also means that many people will base their understanding of the document on the diagram rather than the text. | No | |
| 57.5 | IDW | In relation to the diagram and paragraphs 59 to 61, we refer to our general comments on the Standard (Thresholds) and our specific comments on paragraphs 12 and 13 in the Standard. | No | Terms discussed by the IAASB before approval of the exposure draft. At the time, the IAASB agreed not to accept the proposal |
| 57.6 | NIVRA | The bottom right hand box in the chart on page 35 could be misinterpreted. It says that ordinarily no audit or review procedures are performed at the component level. However, as noted in Paragraph 61, the auditor ordinarily performs analytical procedures at the group level. To avoid confusion, we suggest that this thought be added to that box. | Yes | ISA XXX.Appendix 3 |
| 57.8 | Basel | The chart on page 35 of the proposed IAPS states in the lower right box (for "remaining components") that "ordinarily no audit or review procedures performed at component level." It then says "see paragraph 61." Paragraph 61 states that "for these components, the group auditor ordinarily performs analytical procedures at group level." We recommend that a statement to this effect be added to the lower right box on page 35. (We note that there is a reference to the performance of analytical procedures at group level in the box above the lower right box on page 35.) | Yes | ISA XXX.Appendix 3 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| 57.9 | IOSCO | Decision chart on page 35 – The right-hand box opposite “remaining components” should also contain the phrase “Analytical procedures performed at the group level” | Yes | ISA XXX.Appendix 3 |
| | | <p>Paragraph 58</p> <p>Some components may encompass a large portion of a group’s operations and financial position. Because of the individual financial significance of these components, an audit of the components’ financial information, based on materiality determined by the group auditor, is ordinarily performed.</p> | | ISA XXX.61 |
| 58.1 | RREGAL | <p>Paragraph 58 states that an audit is ordinarily (but not always) performed on the financial information of components in certain circumstances. However, it is a rather unusual audit in that the determination of materiality is not left to the auditor of the information but is made by somebody else and is likely to be a much higher level than an auditor of just that information would set for him or herself. In addition, an audit of the financial information will not produce all the audit evidence that the group auditor requires. An audit of financial information is based on the assessment of risks of material misstatement of that information: it is not based on the assessment of risks of material misstatement of other information. It is quite possible that for complex groups the nature or purpose of the component may give rise to risks of material misstatement arising in the group’s financial statements without there necessarily being an equivalent risk of material misstatement arising in the components’ own financial information. This may occur, for example, when risks arising in different components interact with each other in ways that lead to higher combined risks for the group than exist in the individual components (a sort of reverse synergy). An audit of the component’s financial information (in the usual meaning of the term “audit”) will not pick up the fact that risks that are not significant risks when looked at from the viewpoint of the component’s financial information may be a significant risk when looked at from the viewpoint of the group’s financial statements. This paragraph and the diagram oversimplify this point.</p> <p>Paragraph 59</p> <p>Although a component may not be of individual financial significance, it may have been identified at group level as</p> | Yes | <p>Group auditor to perform risk assessment at group level and confirm initial identification of individually significant components (defined as significant because of size or risk)</p> <p>Group auditor (or related auditor on behalf of group auditor) to be involved in the risk assessment procedures performed by other auditor’s on individually significant components</p> <p>Also see ISA XXX.65</p> <p>ISA XXX.62</p> |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | <p>likely to include significant risks of material misstatement of the group financial statements. (For example, a component could be responsible for foreign exchange trading and thus expose the group to a significant risk of material misstatement even though the component is not of individual financial significance.) For such a component, one of the following is ordinarily performed:</p> <ul style="list-style-type: none"> • An audit of the component's financial information, based on materiality determined by the group auditor; • A special purpose audit of specified account balances relating to the identified significant risks; or • Specified audit procedures relating to the identified significant risks. <p>Paragraph 60</p> <p>Components that are not of individual financial significance (see paragraph 58), or that have not been identified at group level as giving rise to significant risks (see paragraph 59), may when aggregated with other such components represent a level of financial significance, or give rise to significant risks, that could cause the group financial statements to be materially misstated. The scope of work performed on the financial information of these components is a matter of professional judgment and may include one of the following:</p> <ul style="list-style-type: none"> • 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; • Analytical procedures performed at group level. <p>The group auditor's professional judgment as to the scope of work to be performed is impacted by factors such as the following:</p> <ul style="list-style-type: none"> • Whether it is a newly formed or acquired component. • Whether significant changes have taken place in the component. | | ISA XXX.64 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | <ul style="list-style-type: none"> Whether internal audit has performed work at the component. The effective operation of group-wide controls. The individual financial significance of and risks posed by the component in comparison with other components within this category. | | |
| 60.1 | FSR ASC | Paragraph 60 on components of aggregated financial importance or components of aggregated significant risks needs more clarification on circumstances that are decisive on how to make aggregations. | Yes | ISA XXX.8-10 read with ISA XXX.60-65 |
| 60.2 | CICA | The second to last bullet of this paragraph should be amended as follows: The effective <u>design</u> or operation of group-wide controls. | Yes | See IAPS.42 |
| 60.3 | GT | We suggest the following revision to the second to last bullet in this paragraph: “The effective design and operation of group-wide controls.” | No | But see ISA XXX.64, second last bullet redrafted |
| | | <p>Paragraph 61</p> <p>The group auditor may consider it appropriate not to perform audit or review procedures at components that are not of individual financial significance and, even when aggregated with other such components, do not give rise to risks of material misstatement of the group financial statements. For these components, the group auditor ordinarily performs analytical procedures at group level.</p> <p>Paragraph 62</p> <p>Where other auditors perform work on the financial information of components that are of individual financial significance (see paragraph 58) or components that have been identified at group level as likely to include significant risks of material misstatement of the group financial statements (see paragraph 59), 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).</p> | | <p>ISA XXX.63</p> <p>ISA XXX.67-74 and 88-95 redrafted and restructured</p> |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|--|---------------------|---|
| 62.1 | ICAEW | This paragraph suggests that group auditors ‘consider’ whether it is necessary to review the other auditor’s working papers. The parallel paragraph in ISA 600(paragraph 27) does not contain the word ‘consider’. The distinction is important. The comments in our covering letter dealing with the alternatives to a review of working papers apply to this paragraph. | NA | ISA XXX.67-74 and 88-95 redrafted and restructured |
| 62.2 | FEE | We also note that paragraph 62 of the IAPS suggests that group auditors ‘consider’ whether it is necessary to review the other auditors’ working papers whereas the parallel paragraph 27 in ISA 600 does not contain the word ‘consider’. | NA | ISA XXX.67-74 and 88-95 redrafted and restructured |
| | | <p>Paragraph 63</p> <p>Where the group auditor has accepted the engagement to audit the group financial statements on the basis that the group auditor will be able to participate to a significant extent in the work to be performed by the other auditors on the components’ financial information (see paragraph 13), the group auditor determines the procedures to be performed directly, or jointly with the other auditor, on the components’ financial information.</p> <p>Paragraph 64</p> <p>The group auditor’s participation in the other auditor’s work referred to in paragraphs 62 and 63 may include some or all of the procedures described in paragraph 9 of proposed ISA 600. The extent of the group auditor’s participation is a matter of professional judgment and is impacted by factors such as the group auditor’s evaluation of the professional qualifications, professional competence and resources of the other auditor, or of the quality control process of the other auditor’s firm. For example, 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> | | <p>Paragraph deleted</p> <p>ISA XXX.67-74 and 88-95</p> |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| 64.1 | RMAHA-DEVA | Testing be changed as audit or evaluation of | No | |
| | | <p>Paragraph 65</p> <p>Proposed ISA 240 requires the auditor to design and perform audit procedures to address the risks of material misstatement due to fraud caused by improper revenue recognition, and to respond to the risk of management override of controls. Where the group auditor considers it appropriate to limit the scope of work to be performed on a component's financial information as described in paragraph 60, the group auditor considers whether, in addition to the limited scope engagement, it is necessary to perform audit procedures to address risks of material misstatement of the group financial statements due to fraud caused by improper revenue recognition or by management override of controls.</p> | | Paragraph deleted |
| 65.1 | JICPA | <p>It is necessary to update the Exposure Draft to conform to the revised ISA 240 "Fraud" issued in March 2004. For example, to conform to the ISA 240 revision that improper revenue recognition is not a mandatory presumption of significant risks, paragraph 65 of the ED should be revised as follows:</p> <p>"Proposed ISA 240 requires the auditor to design and perform audit procedures to address the risks of material misstatement due to fraud caused by improper revenue recognition, and to the risk of management override of controls. Where the group auditor considers it appropriate to limit the scope of work to be performed on a component's financial information as described in paragraph 60, the group auditor considers whether, in addition to the limited scope engagement, it is necessary to perform audit procedures to address risks of material misstatement of the group financial statements due to fraud caused by improper revenue recognition or by management override of controls."</p> | NA | |
| 65.2 | IOSCO | <p>Paragraph 65 – the first sentence should be revised to read "...due to fraud caused by improper revenue recognition and other fraudulent reporting, and to respond to the risk of management override of controls."</p> <p>Paragraph 66</p> | NA | ISA XXX.66 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | <p>If all the components fall within the categories described in paragraphs 60 and 61, the group auditor considers the scope of work to be performed on the financial information of the components to determine that it will provide the group auditor with sufficient appropriate audit evidence to be able to express an audit opinion on the group financial statements. Accordingly, the scope of work to be performed on the components' financial information ordinarily includes some audits based on materiality determined by the group auditor, special purpose audits of specified account balances and specified audit procedures.</p> <p>Paragraph 67</p> <p>If group management insists that the group auditor performs less work on a component's financial information than the group auditor considers appropriate, it will constitute a scope limitation and the group auditor considers the impact thereof on the auditor's report on the group financial statements.</p> | | Paragraph deleted |
| 67.1 | RREGAL | In paragraph 67, the object to which the word "it" refers is not clear; grammatically it must refer to a noun, but the most likely nouns are either "group management" or "the group auditor". I believe it is meant to refer to management's insistence. The sentence should be reworded as follows. "Group management might request the group auditor to perform less work on a component's financial information than the group auditor believes appropriate. If the group auditor agrees to do so then that will be a limitation of the group auditor's scope and the group auditor considers the effect of the limitation on the report on the group financial statements." | NA | |
| 67.2 | APB | Paragraph 67 of the proposed IAPS states that if group management insists that the group auditor performs less work on a component's financial information than the group auditor considers appropriate, it will constitute a scope limitation and the group auditor considers the impact thereof on the auditor's report on the group financial statements. This is weak. Management may impose a scope limitation by failing to provide information that the auditor would reasonably expect to be available, but the auditor should not accept management dictating the level of audit work to be performed. If management do attempt to insist that the auditor performs less work than the auditor considers necessary the auditor should consider whether it is appropriate to accept or continue the engagement. | NA | But see ISA XXX.21-23 |
| | | Paragraph 68 | | ISA XXX.111(a) |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | Where a component is audited by a related or other auditor, the group auditor communicates to the related auditor or other auditor the scope of work to be performed on the component's financial information. | | |
| 68.1 | IOSCO | Paragraph 68 - add at end of sentence "...and the documentation and/or opinion to be provided." | No | However, ISA XXX.114 provides guidance on the content of the other auditor's report / memorandum ISA XXX. Appendix 4 – see matters relevant to the other auditor's communication |

Performing Further Audit Procedures

FSR ASC The sections *Testing Internal Controls* and *Components' Financial Information* do not seem to belong under the heading **Performing Further Audit Procedures** (*Consolidation, Subsequent Events* and *Management Representations* are on the other hand in the right place).

Paragraph 69

When the group auditor's risk assessment at group level and scoping of work to be performed on the components' financial information include an expectation that group-wide controls are operating effectively, the group auditor performs, or requires the related auditor or other auditor to perform, tests of controls to obtain sufficient appropriate audit evidence that the group-wide controls are operating effectively. When the group-wide controls include a central IT system that is controlled by the same general IT controls, for example at a shared service center, the group auditor tests the operating effectiveness of those controls centrally. When the control activities of an IT system are common for all or some components, the group auditor may obtain audit evidence relevant to those components from testing, or requiring the related auditor or other auditor to test, the control activities for one or more components.

ISA XXX.77

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| 69.1 | RREGAL | <p>I believe the first sentence of paragraph 69 should be split into two sentences as it is extremely long. It also contains the novel verb “to scope”. Assessments and determinations do not include expectations although they may be based on them (or assumptions). I believe the sentence should be rewritten as follows. “The group auditor’s risk assessment at group level and the group auditor’s determination of the scope of work to be performed on the components’ financial information may be based on an expectation that group-wide controls are operating effectively. Where there is such an expectation, the group auditor performs, or requires...”</p> <p>Paragraph 70</p> <p>The group auditor, related auditors and other auditors perform the work on the components’ financial information in accordance with the scoping decisions made by the group auditor based on the risk assessment performed at group level (see paragraph 49).</p> | Yes | ISA XXX.77 |
| 70.1 | RREGAL | <p>Paragraph 70 also contains the novel verb “to scope” and I believe should be rewritten as follows. “The group auditor, related auditors and other auditors perform the work on the components’ financial information in accordance with the group auditor’s determination of the scope of work based on the risk assessment that the group auditor performed at group level.”</p> <p>Paragraph 71</p> <p>Material misstatements due to fraud may involve the manipulation of the consolidation process by making adjustments to amounts reported in the group financial statements that may not be reflected in formal journal entries, such as through consolidation adjustments and reclassifications. The group auditor assesses the risks of material misstatement of the group financial statements arising from the consolidation and determines the work to be performed on the consolidation accordingly. The group auditor:</p> <ul style="list-style-type: none"> (a) Considers the appropriateness and completeness of the consolidation adjustments, as well as the arithmetical accuracy of calculations; (b) Determines that significant adjustments have been correctly processed, have been authorized by group | NA | ISA XXX.78 |

| No. | Respondent | Respondent Comment | Processed | Task Force Comment (where necessary) |
|------|------------|---|-----------|---|
| | | <p>management, and where applicable, by component management and are supported by sufficient appropriate documentation; and</p> <p>(c) Checks the reconciliation and elimination of intra-group transactions and intra-group account balances.</p> | | |
| 71.1 | ICAEW | This paragraph should include a statement to the effect that auditors should consider and challenge any long-standing consolidation adjustments to ensure that they remain valid. | No | Consolidation adjustments should be in accordance with the requirements of the applicable financial reporting framework – long-outstanding consolidation adjustments should not exist |
| 71.2 | DNR | Using the word “that” in the following sentence: “ <i>Determines <u>that</u> significant adjustments have been...</i> ” suggests that it is the auditor’s responsibility to make such adjustments. We believe that this is responsibility of management and those charged with governance. To place the responsibility more accurately we believe the word “that” should be replaced with “whether” or “if.” | Yes | ISA XXX.78(c) |
| 71.3 | RREGAL | Paragraph 71 (and indeed the whole area of consolidation) is one of the subjects that most obviously applies equally to divided responsibility and sole responsibility audits and reveals how badly needed is an IAPS that applies to divided responsibility audits. The paragraph refers to formal journal entries, and I am left wondering how there can be informal journal entries. (Indeed, in today’s computerized age many people may be left wondering what journal entries, formal or informal, are.) In addition, the construction of the first sentence makes it difficult to determine what it is that is not reflected in the journal entries, I think it is the adjustments to the amounts reported. I also believe the sentence has an undue emphasis on fraud since consolidation adjustments are error prone at the best of times and by concentrating on fraud the auditor may fail to detect misstatements that arose through simple error. It would be helpful if the paragraph used the same terminology that is used in ISA 315, “Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement”. I believe the first sentence should read as | Yes | ISA XXX.78 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | follows. "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 internal controls that other financial information is subject to. These adjustments typically comprise consolidation adjustments and reclassifications." | | |
| | | <p>Paragraph 72</p> <p>Inconsistent accounting policies may exist where components operate in diverse industry segments or are located in jurisdictions that require different financial reporting frameworks. Such inconsistencies ordinarily will be eliminated either by group management requiring components to prepare financial information consistent with the accounting policies applied in the group financial statements, or by group management requiring component management to disclose the differences between the accounting policies applied in the component's financial information and those applied in the group financial statements.</p> <p>Paragraph 73</p> <p>Where uniform accounting policies have not been adopted by a component, the group auditor considers whether group management or component management has made appropriate adjustments to the component's financial information for purposes of preparing and presenting the group financial statements. Where the work on a component's financial information is performed by a related auditor or other auditor, the group auditor requests the related auditor or other auditor to confirm to the group auditor that such adjustments have been made.</p> | | <p>ISA XXX.79</p> <p>ISA XXX.80</p> |
| 73.1 | IDW | We refer to our comments on paragraph 37 (d) in the Standard. The same applies to paragraph 73. | Yes | ISA XXX.80 |
| | | <p>Paragraph 74</p> <p>The group auditor determines whether the financial information, for example, the reporting package, identified in the communication of the related auditor or other auditor (see paragraph 22(a) of proposed ISA 600) is the financial information that was incorporated in the group financial statements.</p> | | ISA XXX.81 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | <p>Paragraph 75</p> <p>If the group financial statements include the financial statements of components with year-ends that differ from that of the group, the group auditor 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, or other events and disclosures that need to be reflected in or eliminated from the group financial statements. Where the work on a component's financial information is performed by a related auditor or other auditor, the group auditor requires the related auditor or other auditor to perform the procedures considered necessary by the group auditor under the circumstances.</p> | | ISA XXX.82 |
| 75.1 | IDW | There is a presumption that different year-ends are permitted by all financial reporting frameworks. This is not the case. Consequently, the group auditor also needs to consider whether not having same year-ends is acceptable under the financial reporting framework. | Yes | ISA XXX.82 |
| 75.2 | ICAEW | This paragraph should note the fact that non-coterminous year-ends increase the risk of fraud, by 'parking' items outside the scope of the current audit. Moving them around a group may enable them to escape scrutiny altogether. | No | But see ISA XXX.Appendix 2, tenth bullet |
| | | <p>Paragraph 76</p> <p>The group auditor requests group management to correct the accounting records for adjustments processed on consolidation that relate to misstatements.</p> | | ISA XXX.83 |
| 76.1 | CICA | It is not clear whether this paragraph requires group management to correct a misstatement identified during the consolidation process even if the misstatement is not material. An example should be provided. | No | But see ISA XXX.83 redrafted |
| 76.2 | GT | We suggest clarifying this paragraph by providing an example of an adjustment processed on consolidation that related to a misstatement. | No | But see ISA XXX.83 redrafted |
| | | Paragraph 77 | | ISA XXX.84 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
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| | | <p>ISA 560, “Subsequent Events” contains standards and guidance on the auditor’s responsibility regarding subsequent events. The nature, timing and extent of the group auditor’s procedures in relation to subsequent events are matters of professional judgment and will be impacted by factors such as the group auditor’s evaluation of group management’s process for obtaining information on subsequent events at components. The subsequent events review covers the period 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>Paragraph 78</p> <p>For components that are of individual financial significance and components that have been identified at group level as likely to include significant risks of material misstatements of the group financial statements, the group auditor performs, or requests the related auditors or other auditors to perform, procedures designed to identify subsequent events at those components.</p> <p>Paragraph 79</p> <p>For components that are not of individual financial significance but when aggregated with other such components may represent a level of financial significance or significant risks that could cause the group financial statements to be materially misstated, the group auditor ordinarily inquires from related auditors or other auditors whether they are aware of subsequent events that may necessitate either an adjustment to or a note in the group financial statements.</p> | | <p>ISA XXX.85</p> <p>ISA XXX.86</p> |
| 79.1 | IDW | <p>The wording in this paragraph is not in line with that in paragraphs 59 to 61.</p> <p>Paragraph 80</p> <p>ISA 580, “Management Representations” and other ISAs, for example proposed ISA 240, contain standards and guidance on management representations. In the case of an audit of group financial statements, the group auditor obtains audit evidence that group management acknowledges its responsibility for the establishment and maintenance of internal controls, including controls over the preparation and presentation of the group financial</p> | Yes | <p>ISA XXX.86</p> <p>ISA XXX.87</p> |

| No. | Respondent | Respondent Comment | Processed | Task Force Comment (where necessary) |
|------|------------|---|-----------|---|
| | | <p>statements, and the fair presentation of the group financial statements in accordance with the applicable financial reporting framework. In addition, the group auditor obtains written representations from group management on matters material to the group financial statements. Examples of such representations include the following:</p> <ul style="list-style-type: none"> • All components have been included in the group financial statements in accordance with the applicable financial reporting framework. • Disclosures in the group financial statements are appropriate and complete, including that the disclosures of related party relationships and transactions and reportable segments are in accordance with the financial reporting framework and statutory requirements applicable to the group financial statements. • Accurate and complete financial information has been obtained from components. • Consolidation adjustments are appropriate and complete, including the elimination of intra-group transactions and balances, and adjustments for inconsistent accounting policies. | | |
| 80.1 | FEE | Paragraph 80 includes bullet points giving examples of additional management representations. Those example of representations seem to cover matters for which it could be expected that the group auditor obtains sufficient appropriate audit evidence by performing other group audit procedures. Using management representations where the rationale is not obvious risks diluting the value of representation as well as management's comprehension of their purpose. We suggest illustrating management representations by reference to issues requiring additional clarification from management rather than for "boiler plate" items. | No | Matters listed are of particular importance in the case of an audit of group financial statements |
| 80.2 | RREGAL | I do not think there is a great need to give examples of the other ISAs in paragraphs 80 and 87 unless there is something particularly special about that particular ISA. | No | |
| 80.3 | GT | We believe this paragraph should be deleted, as these representations are embedded within the standard representations. | No | Matters listed are of particular importance in the case of an audit of group financial statements |

| No. | Respondent | Respondent Comment | Processed | Task Force Comment (where necessary) |
|------|------------|---|-----------|---|
| 80.4 | APB | Paragraph 80 of the proposed IAPS states that the group auditor obtains written representations from group management on matters material to the group financial statements, including inter alia, that accurate and complete financial information has been obtained from components. The APB does not believe that it is reasonable, or necessary, to expect group management to provide a written representation that accurate and complete financial information has been obtained from components. It should be made clear in the IAPS that the auditor does not need to obtain written representations on <u>all</u> matters material to the financial statements. The auditor is required by ISA 580, "Management Representations", to obtain written representations from management on matters material to the financial statements when other sufficient appropriate audit evidence cannot reasonably be expected to exist. The extent to which the auditor obtains written representations on matters for which other sufficient appropriate audit evidence does exist, for example to reduce the risk of misunderstandings, should be left to the auditor's discretion. | No | Matters listed are of particular importance in the case of an audit of group financial statements |
| 80.5 | IDW | We refer to our comments on the use of the term "fair" in our comment letter on ISA 700, and therefore suggest it be removed. | No | |

Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained

| | | | | |
|------|------------|---|----|-------------------|
| | | <p>Paragraph 81</p> <p>The group auditor's assessment of the risks of material misstatement of the group financial statements is based on available audit evidence and may change during the course of the audit of the group financial statements as additional audit evidence is obtained. In circumstances where the group auditor, related auditors or other auditors obtain audit evidence from performing work on the components' financial information and on the consolidation that tends to contradict the audit evidence on which the group auditor originally based the risk assessment performed at group level (see paragraph 49), the group auditor revises the assessment and modifies the further planned audit procedures accordingly.</p> | | Paragraph deleted |
| 81.1 | RMAHA-DEVA | Before para 81 group heading- after evaluating- risk assessment and - be added Heading before 81-updating be changed as- evaluating | No | |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|--|---------------------|---|
| | | <p>Paragraph 82</p> <p>The group auditor evaluates whether sufficient appropriate audit evidence has been obtained from the work performed on the components' financial information and on the consolidation on which to base the audit opinion on the group financial statements. This evaluation includes the work performed by related auditors and other auditors.</p> <p>Paragraph 83</p> <p>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 related auditors or other auditors performed the work, the group auditor may request the related auditors or other auditors to perform additional procedures or, if this is not feasible, perform the group auditor's own procedures on the components' financial information. When the group auditor has not been able to perform sufficient additional audit procedures, the group auditor considers the impact of this scope limitation on the auditor's report on the group financial statements.</p> | | <p>ISA XXX.96</p> <p>ISA XXX.97</p> |
| | | <p>Communication With Group Management and Those Charged With Governance</p> <p>Paragraph 84</p> <p>The group auditor makes group management aware, as soon as practical and at an appropriate level of responsibility, of material weaknesses in the design or operation of group-wide controls and in 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 related auditors or other auditors, and that the group auditor judges are of significance in the context of the group.</p> | | ISA XXX.104 |
| 84.1 | FEE | We recommend in paragraph 84 to also include "those charged with governance" in the communications currently solely directed to management. | No | But see ISA XXX.106-108 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|---|---------------------|--|
| | | <p>Paragraph 85</p> <p>If fraud has been identified in components or information has been obtained that indicates that a fraud may exist in a component, the group auditor communicates these matters as soon as practicable to group management.</p> | | ISA XXX.105 |
| 85.1 | APB | <p>Paragraph 85 of the proposed IAPS should be amended to make clear that if fraud has been identified in components or information has been obtained that indicates that a fraud may exist in a component, the group auditor communicates these matters as soon as practicable to group management, <u>providing the auditor does not believe or suspect that group management may be involved in the fraud</u>. In some circumstances it may be more appropriate to make the communication to those charged with governance (as indicated in paragraph 88).</p> | Yes | ISA XXX.105 |
| | | <p>Paragraph 86</p> <p>Where the work on a component's financial information is performed by a related or other auditor, the group auditor requests the related auditor or other auditor to communicate in a timely manner to the group auditor material weaknesses in controls that have come to the attention of the related auditor or other auditor during the performance of the work on the component's financial information, and information that indicates that a fraud may exist.</p> | | ISA XXX.113 |
| 86.1 | IDW | <p>The content of this paragraph does not align with the heading "Communication with Group Management".</p> | Yes | Now under Communication With Another Auditor – ISA XXX.113 |
| | | <p>Paragraph 87</p> <p>ISA 260, "Communication With Those Charged With Governance" and other ISAs, for example proposed ISA 240, contain standards and guidance on communication with those charged with governance. The matters that the group auditor communicates to those charged with governance of the group include those matters brought to the attention of the group auditor by related auditors and other auditors that the group auditor judges to be of significance in the context of the group.</p> | | ISA XXX.106-108 |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|--|---------------------|---|
| 87.1 | RREGAL | I do not think there is a great need to give examples of the other ISAs in paragraphs 80 and 87 unless there is something particularly special about that particular ISA. | No | |
| 87.2 | IDW | We suggest inserting the word “governance” between the words “judges to be of” and “significance” to be in line with ISA 260. | Yes | ISA XXX.108 |
| | | <p>Paragraph 88</p> <p>In the context of an audit of group financial statements, the matters communicated in a timely manner by the group auditor to those charged with governance of the group include the following:</p> <ul style="list-style-type: none"> • The approach taken to determine the scope of work to be performed at individual components and the extent of work to be performed by related auditors and other auditors. • Any restrictions to obtaining financial information from a component or a related auditor or other auditor, or on communicating information to component management or a related or other auditor. • Significant accounting, financial reporting and auditing matters, including accounting estimates, adjustments, and unadjusted errors in the group financial statements. • Identified fraud or information obtained that indicates that a fraud may exist that involve group management, or that may involve component management and that may result in a material misstatement of the group financial statements. • Material weaknesses in internal controls, including controls over the preparation and presentation of the group financial statements, and material weaknesses in internal controls at components that are of significance in the context of the group. • Any other significant or unusual events identified in the components. | | ISA XXX.106 |
| 88.1 | NYSSCPA | Paragraph 88 indicates that the group auditor should communicate with those charged with governance of the entity about the approach taken to determine the scope of work to be performed by other or related auditors. It may be | Yes | ISA XXX.106(d) |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|---|---------------------|--|
| | | necessary in most circumstances to do this because arrangements must be made for the other or related auditors to work. It might, however, be better to not let those in the organization know whether the procedures are, for example, an audit with group materiality considerations, or instead are specific procedures. In light of the “unpredictability” called for in the new fraud standards, it might be particularly useful if those in charge of governance are not informed of these matters. | | |
| 88.2 | IOSCO | Paragraph 88 – Fourth bullet. Since “group management” (and “component management”) are defined in the ISA and IAPS as “being management responsible for the preparation of financial statements” (and financial information), the way this is written could be interpreted as excluding the auditor from being obligated to report fraud discovered among operating management. This should be clarified. | No | Standards and guidance in ISA 240 (Revised) apply to the audit of group financial statements |

Communication With Related Auditor or Other Auditor Who is Required to Audit Component’s Financial Statements

Paragraph 89

Where a 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 and the group auditor becomes aware of matters that may be significant to the component’s financial statements that component management may be unaware of, the group auditor considers requesting group management to inform component management of such matters. Examples of such matters include the following:

- Potential litigation.
- Plans for abandonment of material operating assets.
- Subsequent events.
- Significant legal agreements.

Paragraph 90

There may be occasions when group management may need to keep confidential certain material sensitive

ISA XXX.115

ISA XXX.116

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|------|------------|--|---------------------|--|
| 90.1 | FSR ASC | <p>information. 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 communicate to component management that they should not issue the components' financial statements. In addition, the group auditor may consider it necessary to communicate to the related auditor or other auditor that they should not issue the auditor's report on the component's financial statements until such time as an outstanding matter has been resolved by group management. When group management remains of the opinion that the matter should not be communicated to component management, the group auditor considers whether to resign from the engagement.</p> <p>Paragraph 89-90 seem to bring the group auditor to close to management decisions when he is obliged to intervene in group management decisions on whether to inform component management or not. His consideration of requesting group management to inform is in our opinion not appropriate. On the other hand we do agree that group managements decisions of not informing or misinforming can be a reason for the auditor to consider resigning.</p> | No | <p>Due to confidentiality requirements, the group auditor is not allowed to inform the component auditor. However, this could affect the component's financial statements. Consequently, the guidance provides for the group auditor to request group management to inform component management and to communicate to the component auditor that a matter is outstanding (without specifying the matter)</p> |
| 90.2 | ICAEW | <p>This paragraph might be construed as imposing a requirement on the group auditor to inform related or other auditors about matters which are confidential. The paragraph should recognize that the requirements of professional ethics may preclude such disclosure.</p> | No | See response to 90.2 |

| No. | Respondent | Respondent Comment | Processed | Task Force Comment (where necessary) |
|-----------------------|-------------|---|-----------|---|
| 90.3 | IDW | In some jurisdictions, statutory auditors cannot resign from an engagement once having accepted it. Consequently, we suggest amending the last sentence to read: "... the group auditor considers whether to resign from the engagement to the extent that this is legally possible in the relevant jurisdiction." | No | The fact that the group auditor may not be able to resign from the engagement will form part of the group auditor's consideration |
| Effective Date | | Paragraph 91 This IAPS is effective on first application of proposed ISA 600. | | Paragraph deleted |
| 91.1 | RREGAL | This IAPS deals with how to apply many ISAs, not just ISA 600. For example, it deals with how the auditor applies ISA 315. I therefore think the effective date in paragraph 91 should not be linked to the effective date of ISA 600 but rather to the effective dates of the standards on which it gives guidance. Indeed, I do not believe that IAPSs ought to have effective dates, since they do not set any new requirements at all. However, if it is desired to give IAPSs effective dates then I believe the wording should be along the following lines. "Auditors should be prepared to explain how the requirements in the standards addressed by this practice statement have been complied with in respect of audits of financial statements for periods ending on or after [date] or such later effective date as the standards addressed by this practice statement are effective." | NA | |
| | | Appendix 1 | | ISA XXX.4 |
| A1.1 | RHAVA-DEVAN | definition- after 12 -add- company wide controls | No | |
| A1.2 | AuASB | We suggest the definitions in Appendix 1 should be incorporated into the body of the IAPS. This is because the definitions are integral to understanding the guidance in the IAPS and inclusion within the main document would avoid the inconvenience of referring to material definitions located at the end of the document. | Yes | ISA XXX.4 |

| No. | Respondent | Respondent Comment | Processed | Task Force Comment (where necessary) |
|------|------------|---|-----------|--|
| A1.3 | IDW | <p>We refer to our proposed changes to the definitions in paragraph 7 of the Standard. Furthermore, we refer to our comments on paragraph 5 of the IAPS. We have the following additional comments with respect to the definitions:</p> <p>“Reporting package”: in line with previous comments, the reference to fair presentation and true and fair view ought to be deleted.</p> <p>“Uniform accounting policies”: in line with our previous comments, we suggest changing the words “adopted by the group” to “that may have been adopted by the group”.</p> <p>Appendix 2</p> | No | ISA XXX.Appendix 4 |
| A2.1 | ICAEW | First Bullet, last item. 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 | |
| A2.2 | RREGAL | In appendix 2, the required acknowledgements and confirmations should indicate what the understanding required of the other auditor should be sufficient for. The first three bullet points relating to “other information” should be in the subjunctive mood: “a request that a list <i>be</i> provided”, “a request that the following <i>be</i> reported” and “a request that the group auditor <i>be</i> notified”. | Yes | |
| A2.3 | IOSCO | <p>Appendix 2 – Matters Relevant to the Related Auditor’s or Other Auditor’s Communication – This should be revised to read “The form and content of the report or memorandum to be provided to the group auditor, and the documentation to accompany the audit opinion of the other auditor, if a separate audit opinion is to be obtained.”</p> <p>Appendix 3</p> | No | <p>But see ISA XXX.Appendix 2, last bullet under matters relevant to the conduct of the other auditor’s work</p> <p>ISA XXX.Appendix 5</p> |
| A3.1 | RREGAL | In appendix 3, the word “it” is an odd word to use to describe an auditor, and I believe should be replaced with the words “the auditor”. There is also a missing “of” after the words “true and fair view” in the first paragraph of the | Yes | |

| No. | Respondent | Respondent Comment | Processed | Task Force Comment (where necessary) |
|-----------------------|------------|---|-----------|---|
| | | specimen letter. | | |
| A3.2 | IDW | The “name of parent” can be replaced with “name of group”, thereby obviating the need to define “parent” in the definitions. | No | |
| A3.3 | Basel | Footnote 1 in Appendix 3 states that it is advisable for the group auditor to list the components of the group in the letter of instruction to the related auditor or other auditor. Rather than providing this guidance in the example of the related auditor’s or other auditor’s acknowledgements and confirmations in Appendix 3, we suggest that this footnote should instead be included in Appendix 2, which provides examples of matters to be included in the letter of instruction itself. Since the names of the components of the group are needed by the related auditor or other auditor for the purpose of assessing independence under the Code of Ethics, this footnote should be located at the end of the third sub-bullet under the first bullet of Appendix 2 on page 44 of the proposed IAPS. In order to make it clear that this relocated footnote relates to independence, it should be expanded to say "When there are several components in the group and their names may not be known to the related auditor or other auditor, it is advisable for the group auditor to list them in the letter of instruction to facilitate the related auditor's or other auditor's assessment of compliance with the independence requirements in the IFAC <i>Code of Ethics for Professional Accountants</i> ." | Yes | |
| A3.4 | IOSCO | Appendix 3 - this appendix should be revised to illustrate descriptions that would be provided of the means whereby the other auditor has obtained the understanding of the IFAC Ethics Code, and descriptions of other professional qualifications and quality control processes of the other auditor. | No | |
| Other Comments | | | | |
| O1 | ICAI ASC | <p>The APS doesn’t provide a template for a report, would suggest the report deal with the three reviews of the components information;</p> <ul style="list-style-type: none"> a) An audit performed in the context of materiality determined by the group auditor for the components. b) A special purpose audit of specified account balances relating to the identified significant risks. | No | IAASB agreed not to develop an illustrative other auditor’s report / memorandum |

| No. | Respondent | Respondent Comment | Pro- cess- ed | Task Force Comment (where necessary) |
|-----|------------|---|---------------------|---|
| | | c) Specified audit procedures relating to the identification of significant risks. | | |
| O2 | ICAI ASC | The concept of Business Empires is considered a related party issue but the IAPS does not seem to have dealt with guidance on the application of ISA 550 Related Parties. | No | ISA XXX.58 |
| O3 | CICA | Overall editorial comments to consider: | | |
| | | - in a number of paragraphs, the proposed IAPS refers to “proposed ISA 240”. Now that this ISA has been issues, this should be revised to read “ISA 240”. | Yes | |
| | | - in a number of paragraphs, the proposed IAPS refers to “individual financial significance of the components”. However, there is no guidance which indicates how/on what basis this would be determined, as it could be based on total revenues, total assets, or some other measure. This guidance should be provided | Yes | |
| | | the word “to” should be inserted between any paragraph numbers to be consistent with the proposed ISA – for example, “.....see paragraphs 13 to 26”. | No | |
| O4 | RREGAL | I believe it would 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” | Yes | |
| | | 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 or a noun. 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. | Yes | |