Section on Division of Responsibility

1. Unless national regulations specifically permit the group auditor to refer to the other auditor in the auditor’s report on the group financial statements, the group auditor takes sole responsibility for the audit opinion on the group financial statements and does not refer to the other auditor in the auditor’s report on the group financial statements.

2. **When national regulations specifically permit, the group auditor may refer to the other auditor in the auditor’s report on the group financial statements. In such circumstances, the group auditor should follow the national regulations.** This is referred to as “division of responsibility.”

3. Paragraphs 4 to 11 apply when national regulations specifically permits a division of responsibility, and the group auditor decides to divide responsibility for the auditor’s report on the group financial statements. Division of responsibility ordinarily does not apply in the case of a related auditor.

4. The group auditor should consider whether the group auditor’s participation, including the participation of related auditors, in the audit of the group financial statements is **sufficient to be able to act as group auditor.** If the group auditor has concluded that it is appropriate to act as group auditor (refer paragraphs …), the group auditor decides whether to divide responsibility for the auditor’s report on the group financial statements. The group auditor ordinarily decides to divide responsibility if the financial information of the component is material in relation to the group financial statements, and the other auditor is performing an audit of, and issues an auditor’s report on, the component’s financial information.

5. **The group auditor should:**
   
   (a) Consider the other auditor’s professional qualifications, independence, professional competence and resources (refer paragraph …),

   (b) Obtain a representation from the other auditor that the other auditor’s quality control process complies with the quality control standards of the International Federation of Accountants (IFAC) as they relate to the audit of financial statements (refer paragraph …), and

   (c) Review the matters affecting the elimination of inter-component transactions and accounts and, if appropriate in the circumstances, the uniformity of accounting policies among the components included in the group financial statements.

6. In addition, the group auditor should obtain the following confirmations:

   (a) The other auditor is aware that the component’s financial information (on which the other auditor is to report) will be included in the group financial statements.

   (b) The other auditor is familiar and has complied with the IFAC *Code of Ethics for Professional Accountants*, including the independence requirements.

   (c) The other auditor is familiar with the financial reporting framework and other statutory requirements applicable to the group financial statements.
(d) The other auditor is familiar with ISAs and national requirements applicable to the audit of the group financial statements, and will perform the audit on the component’s financial statements in accordance therewith.

7. The auditor’s report on the group financial statements should state the division of responsibility and should clearly indicate the magnitude of the portion of the financial statements audited by the other auditor. The auditor’s report on the group financial statements indicates the magnitude of the portion of the group financial statements audited by the other auditor in both the description of the audit and the opinion paragraphs. This may be done by stating monetary amounts or percentages of one or more of the following: total assets, total revenues, or other appropriate criteria. When there is more than one other auditor, the percentages covered by the other auditors may be stated in the aggregate.

8. The other auditor may be named, but only with the other auditor’s express permission and provided that the other auditor’s report is presented together with that of the group auditor.

9. If the group auditor concludes that the group auditor can neither rely on the audit of the other auditor, nor report as described in paragraph 6, the group auditor qualifies the audit opinion or disclaims an audit opinion on the group financial statements. The group auditor’s reasons therefore are stated, and the magnitude of the portion of the financial statements to which the qualification extends is disclosed.

10. The group auditor should consider whether the subject of a modified auditor’s report on a component’s financial information is of such a nature and significance in relation to the group financial statements that a modification of the auditor’s report on the group financial statements is required.

11. The group auditor should document:
   
   (a) The evaluation of information obtained, and conclusions reached, with regard to the professional qualifications, independence, professional competence, resources, and quality control process of the other auditor; and

   (b) The results of the review conducted in accordance with paragraph 4(c).