

Engagement Team – Group Audits Independence  
(Marked-up against September 2021 Draft)

INTERNATIONAL INDEPENDENCE STANDARDS  
(PARTS 4A AND 4B)

PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

SECTION 400

APPLYING THE CONCEPTUAL FRAMEWORK TO INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS

Introduction

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400.1 It is in the public interest and required by the Code that professional accountants in public practice be independent when performing audit or review engagements.

400.2 This Part applies to both audit and review engagements. The terms “audit,” “audit team,” “audit engagement,” “audit client,” and “audit report” apply equally to review, review team, review engagement, review client, and review engagement report.

400.3 This Part applies to all members of the audit engagement team, including an individual from a component auditor's firm who performs ~~audit procedures-work~~ related to a component for purposes of ~~in~~ a group audit. Section 405 sets out specific independence provisions applicable in a group audit.

Commented [A1]: Task Force proposal reflecting editorial comments from members

Commented [A2]: Alignment with ISA 600 (Revised)

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Note: Paragraph numbers 400.A – 400.D below are placeholders and will be renumbered once the provisions have been finalized and included in Section 400. All paragraphs in Section 400 that follow these new provisions will be renumbered accordingly.

Engagement Team and Audit Team

400.A An engagement team for an audit of financial statements includes all partners and staff in the firm who perform audit procedures on the engagement, and any other individuals who perform such procedures who are from:

- (a) A network firm; or
- (b) A firm that is not a network firm, or another service provider.

For example, an individual from a component auditor firm who performs audit procedures-work on the financial information of a component in a group audit is a member of the engagement team for the group audit.

400.B In ISQM 1, a service provider includes an individual or organization external to the firm that provides a resource that is used in the performance of an ~~an~~ engagements. Service providers exclude the firm, a network firm or other structures or organizations in the network.

Commented [A3]: Alignment with language in ISA 220 (Revised)

400.C An audit engagement might involve experts from the firm or a network firm, external experts ~~or, in the case of a group audit, experts from a component auditor firm outside the group auditor firm's network~~, who assist in the engagement. Depending on the role of the individuals, they might be members of the engagement team or the audit team. For example:

Commented [A4]: Refer to agenda item 5-E #1

- Individuals with expertise in a specialized area of accounting or auditing who perform audit procedures are members of the engagement team. These include, for example, individuals with expertise in accounting for income taxes or in auditing client information using automated tools and techniques.
- Individuals ~~within or engaged by the firm who have direct influence over the outcome of the audit engagement through consultation regarding technical or industry-specific issues, transactions or events for the engagement whose involvement with the engagement is limited to consultation~~ are not members of the engagement team but, ~~depending on the nature of the consultation, might be~~ are audit team members ~~of the audit team~~.
- Individuals who are external experts in fields other than accounting or auditing are not members of the engagement team or the audit team.

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400.D If the audit engagement is subject to an engagement quality review, the engagement quality reviewer and any other individuals performing the engagement quality review are not members of the engagement team. ~~Such individuals but~~ are ~~members of the~~ audit team ~~members~~.

## SECTION 405 GROUP AUDITS

### Introduction

~~405.1 Firms are required to comply with the fundamental principles, be independent and apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence.~~

405.12 Section 400 requires a firm to be independent when performing an audit engagement, including a group audit engagement, and to apply the conceptual framework set out in Section 120 to identify, evaluate and address threats to independence. This section sets out specific requirements and application material relevant to applying the conceptual framework independence provisions in Part 4A when performing to group audits engagements.

**Commented [A6]:** Task Force proposal reflecting editorial comments from members. See agenda item 5-E #3

### Requirements and Application Material

#### General

405.23 A1 The International Standards on Auditing (ISAs) apply to an audit of group financial statements ~~(group audit)~~. This section addresses the relevant independence considerations that apply in a group audit. ISA 600 (Revised) deals with special considerations that apply to an audit of group financial statements, including when component auditors are involved. ISA 600 (Revised) requires the group engagement partner to confirm whether the component auditors understand and will comply with the relevant ethical requirements, including those related to independence, that apply to the group audit. The independence requirements referred to in ISA 600 (Revised), or other relevant auditing standards applicable to group audits that are equivalent to ISA 600 (Revised), are those specified in this section.

**Commented [A7]:** Refer to agenda item 5-E #4.

405.2 A2 A component auditor firm that participates in a group audit engagement might separately issue an audit opinion on the financial statements of the component. Depending on the circumstances, the component auditor firm might need to comply with different independence requirements when performing procedures for a group audit and separately issuing an audit opinion on the financial statements of the component for statutory, regulatory or other reasons.

**Commented [A8]:** Refer to agenda item 5-E #15

#### Independence Considerations Applicable to Individuals

R405.34 All ~~members of the group~~ audit team members for the group audit shall be independent of the group audit client in accordance with the requirements of this Part 4A that are applicable to the audit team.

**Commented [A9]:** Refer to agenda item 5-E #13

#### Independence Considerations Applicable to a Group Auditor Firm

R405.45 A group auditor firm shall be independent of the group audit client in accordance with the requirements of this Part 4A that are applicable to the firm.

#### Independence Considerations Applicable to Network Firms of a Group Auditor Firm

R405.56 A network firm of the group auditor firm shall be independent of the group audit client in accordance with the requirements of this Part 4A that are applicable to the network firm.

#### Independence Considerations Applicable to Component Auditor Firms outside a Group Auditor Firm's Network

##### All Group Audit Clients

R405.67 A component auditor firm outside the group auditor firm's network:

- (a) Shall be independent of the component audit client in accordance with the requirements set out in this Part 4A that apply are applicable to a firm with respect to all audit clients; and
- (b) Shall not hold a direct or material indirect financial interest in the entity on whose group financial statements the group auditor firm expresses an opinion.

~~405.8 A1~~ When a component auditor firm also expresses a separate opinion on the financial statement of a component that is an entity, the requirements of Part 4A apply. For example, when a component auditor firm performs a statutory audit of a component that is a public interest entity and the group to which the component belongs is not a public interest entity, the component auditor firm is required to comply with requirements of Part 4A that apply to public interest entities.

Commented [A10]: Refer to agenda item 5-E #15

~~R405.78 A2~~ Consistent with paragraph R400.20, ~~When~~ a component auditor firm outside the group auditor firm's network knows, or has reason to believe, that a relationship or circumstance involving any related entity of the component audit client other than ~~controlled~~ related entities over which the component audit client has direct or indirect control is relevant to the evaluation of the component auditor firm's independence from the component audit client, ~~the application of paragraph R400.20 requires~~ the component auditor firm ~~shall to~~ include that related entity when identifying, evaluating and addressing threats to independence.

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~~R405.89~~ When a component auditor firm outside the group auditor firm's network knows, or has reason to believe, that interests or relationships of a firm within the component auditor firm's network with the component audit client ~~or the group audit client~~ create a threat to the component auditor firm's independence, the component auditor firm shall evaluate and address any such threat.

Commented [A12]: Refer to agenda item 5-E #14

#### Non-Assurance Services

~~405.10 A1~~ The financial information on which a component auditor firm performs audit procedures is relevant to the application of Section 600. For example, if the component auditor firm is performing audit procedures only on a specific item such as ~~inventory~~, non-assurance services unrelated to the accounting records or valuation for inventory would generally not create a self-review threat.

Commented [A13]: Refer to agenda item 5-E #17

#### Group Audit Clients that are Public Interest Entities

~~R405.914~~ When the group audit client is a public interest entity, a component auditor firm outside the group auditor firm's network shall be independent of the component audit client in accordance with the requirements set out in Part 4A that apply to a firm with respect to public interest entities.

#### Key Audit Partner

~~405.1042 A1~~ The group engagement partner might determine that the engagement partner on the audit of a component is a key audit partner for the group audit because that individual makes key decisions or judgments on significant matters with respect to the group audit. In these circumstances, once the group engagement partner has communicated that determination to the engagement partner on the audit of the component, that individual will be subject to the provisions in paragraphs R411.4, and R524.6 and Section 540 ~~and paragraph R524.6~~ that apply to key audit partners.

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Proposed consequential amendment to definition of Key Audit Partner:

The engagement partner, the individual responsible for the engagement quality review, and other audit partners, if any, on the engagement team who make key decisions or judgments on significant matters with respect to the audit of the financial statements on which the firm will express an opinion. Depending upon the circumstances and the role of the individuals on the audit, "other audit partners" might include, for example, audit engagement partners responsible for the audits of certain components in a group audit context such as significant subsidiaries or divisions.

**Commented [A15]:** Refer to agenda item 5-E #18

Non-Assurance Services

**Commented [A16]:** Refer to agenda item 5-E #17

405.11 A1 Section 600 requires a firm to evaluate whether non-assurance services provided to an audit client create threats to independence. The application of paragraph R405.9 requires a component auditor firm to apply the independence requirements for non-assurance services for public interest entities to the component audit client where the group audit client is a public interest entity. For example, where the group audit client is a public interest entity, the component auditor firm is prohibited from acting in an advocacy role for a component audit client that is not a public interest entity in resolving a dispute or litigation before a tribunal or court, regardless of whether the amounts involved are material to the financial information of the component audit client. Similarly, the component auditor firm's design and implementation of the component audit client's financial information system that generates the financial information on which the component auditor firm will perform audit work would create a self-review threat and would therefore be prohibited if the group audit client is a public interest entity.

405.11 A2 The financial information on which a component auditor firm performs audit work is relevant to the evaluation of the self-review threat that might be created from the component auditor firm's provision of a non-assurance service. For example, if the component auditor firm is only performing audit work on a specific item such as inventory, the evaluation of the self-review threat would only include non-assurance services that form part of or affect the accounting records or the financial information related to the accounting for, or the internal controls over, inventory.

**Changes in Component Auditor Firms**

*All Group Audit Clients*

405.123 A1 There might be circumstances in which the group auditor firm requests another firm to perform audit procedures work as a component auditor firm during or after the period covered by the group financial statements. A threat to the component auditor firm's independence might be created by:

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(a) Financial or business relationships of the component auditor firm with the component audit client during or after the period covered by the group financial statements but before the component auditor firm agrees to perform the audit procedures work; or

(b) Previous services provided to the component audit client by the component auditor firm. (Ref: Para R400.31)

**Commented [A18]:** Refer to agenda item 5-E #19

405.123 A2 Paragraphs 400.31 A1-A23<sup>1</sup> set out application material relevant that is also applicable for a component auditor firm's assessment of to circumstances where threats to independence are created if a non-assurance service was provided by the component auditor firm to the component audit client during or after the period covered by the group financial statements, but

<sup>1</sup> Note to IESBA: The numbering for paragraphs 400.31 A1-A3 will be updated when the revised NAS provisions become effective.

before the component auditor firm begins to perform the audit work for the purposes of the group audit of the component, and the service would not be permitted during the engagement period.

#### Breach of an Independence Provision by a Component Auditor Firm

~~405.14 A1— ISA 600 (Revised) requires the component auditor firm to take actions when the component auditor concludes that a breach of a relevant ethical requirement applicable to the group audit has occurred. These actions may include promptly communicating the breach to the group engagement partner, including the component auditor firm's assessment of the significance of the breach and any actions proposed or taken to address the consequences of the breach.~~

##### *When a Component Auditor Firm Within the Group Auditor Firm's Network Identifies a Breach*

~~R405.134 A2 When the component auditor firm is a network firm of the group auditor firm, paragraphs R400.80 to R400.89 apply. If a component auditor firm within the group auditor firm's network identifies a breach, the component auditor firm shall communicate the breach immediately to the group auditor firm. Based on the assessment of the component auditor firm's breach, the group auditor firm shall determine what action to take in accordance with the provisions of paragraphs R400.80 to R400.89.~~

Commented [A19]: Refer to agenda item 5-E #20

##### *When a Component Auditor Firm Outside the Group Auditor Firm's Network Identifies a Breach*

**R405.145** If a component auditor firm concludes that a breach of a relevant ethical requirement applicable to the group audit has occurred, the component auditor firm shall:

- (a) ~~End, suspend or eliminate the interest or relationship that created the breach and address the consequences of the breach. Comply with paragraph R400.80 (a);~~
- (b) Evaluate the significance of the breach and its impact on the component auditor firm's objectivity and ability to perform audit work for the purposes of the group audit; express an opinion on the component audit client's financial information for group reporting purposes. (Ref: Para 400.80 A2)
- (c) Depending on the significance of the breach, determine whether it is possible to take action that satisfactorily addresses the consequences of the breach and whether such action can be taken and is appropriate in the circumstances; and (Ref: Para 400.80 A3)
- (d) Promptly communicate the breach to the group engagement partner, including the component auditor firm's assessment of the significance of the breach and any actions proposed or taken to address the consequences of the breach.

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Commented [A21]: Alignment with language in ISA 600 (Revised)

**R405.156** Upon receipt of the component auditor firm's communication of the breach, the group engagement partner shall:

- (a) Review the component auditor firm's assessment of the significance of the breach and any actions proposed or taken to address the consequences of the breach;
- (b) Evaluate the impact of the breach on the component auditor firm's objectivity and the group auditor firm's ability to use the work of the component auditor firm for purposes of the group audit; and
- (c) Determine the need for any further action.

**R405.167** In making this determination, the group engagement partner shall exercise professional judgment and take into account whether a reasonable and informed third party would be likely to conclude that the component auditor firm's objectivity ~~would be is~~ compromised, and

Commented [A22]: Task Force proposal reflecting editorial comments from members

therefore, the group auditor firm is unable to use the work of the component auditor firm for the purposes of the group audit.

405.178 A1 If the group engagement partner determines that the breach has been satisfactorily addressed by the component auditor firm and does not ~~impact compromise~~ the component auditor firm's objectivity, the group auditor firm may continue to use the work of the component auditor ~~firm~~ for the group audit.

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**Commented [A24]:** Task Force proposal reflecting editorial comments from members

~~405.17 A2 In certain circumstances, the group auditor firm might determine additional actions are needed to satisfactorily address the breach in order to use the component auditor firm's work. Examples of such action include the group auditor firm performing specific procedures on the areas impacted by the breach or requesting the component auditor firm to perform appropriate remedial work on the affected areas.~~

**Commented [A25]:** Task Force proposal to align with ISA 600 (Revised) with regards to the group auditor firm's reliance on work performed by component auditor firm when a breach is found

405.178 A32 In all other cases, the nature and extent of action the group auditor firm might take will depend on the group engagement partner's evaluation of the significance and impact of the breach on the component auditor firm's objectivity:

(a) ~~In some circumstances, the group auditor firm might determine that actions can be taken to allow the group auditor firm to use the component auditor firm's work. Examples of such action include the group auditor firm performing specific procedures on the areas impacted by the breach or requesting the component auditor firm to perform appropriate remedial work on the affected areas; or~~

(b) ~~In other circumstances, if the breach cannot be satisfactorily addressed, the group auditor firm might determine that it cannot use the component auditor firm's work. In those circumstances, such situations, the group auditor firm might need decide to take further action find other means to obtain the necessary audit evidence on the component audit client's financial information. Examples of such action means include the group auditor firm performing the necessary audit work on the component audit client's financial information or requesting the group audit client to arrange for another component auditor firm to be engaged to perform such the audit work procedures on the component audit client's financial information, or the group auditor firm carrying out the necessary audit procedures on the component audit client's financial information.~~

**Commented [A26]:** Refer to agenda item 5-E #23

#### Communication with Those Charged with Governance of the Group Audit Client

R405.189 ~~When a component auditor firm outside the group auditor firm's network identifies that a breach of the relevant ethical requirements relevant to the group audit has occurred, unless already addressed by a process pre-agreed with those charged with governance, the group auditor firm shall discuss with those charged with governance as soon as possible:~~

**Commented [A27]:** Refer to agenda item 5-E #24

(a) The significance of the breach at the component auditor firm, including its nature and duration; ~~and~~

(b) Whether ~~the actions~~ proposed or taken would satisfactorily address the consequences of the breach ~~and the impact on the component auditor firm's objectivity in order to and enable the group auditor firm to be able to use the work of the component auditor firm, issue the audit report on the group financial statements;~~

**Commented [A28]:** Alignment with language in ISA 600 (Revised)

(c) ~~The group auditor firm's conclusion as to whether the objectivity of the component auditor firm has been compromised and the rationale for that conclusion.~~

**Commented [A29]:** Refer to agenda item 5-E #25

~~Such discussion shall take place as soon as possible unless an alternative timing is specified by those charged with governance for reporting less significant breaches.~~

**R405.1920** If those charged with governance do not concur that the actions proposed or taken ~~by the component auditor firm~~ satisfactorily address the consequences of the breach at the component auditor firm, the group auditor firm shall:

- (a) ~~Not~~ use the work performed by the component auditor firm for the purposes of the group audit, unless additional actions can be taken in order to obtain the concurrence of those charged with governance; and
- (b) ~~Determine whether to perform further or alternative procedures, or perform itself the necessary audit procedures on the component audit client, to obtain such concurrence.~~

**Commented [A30]:** Refer to agenda item 5-E #26

## GLOSSARY, INCLUDING LISTS OF ABBREVIATIONS

### Defined Terms Relating to Proposed Section 405

(Marked-up against September 2021 Draft)

~~Group a~~ Audit team for the group audit

- (a) The engagement team for the group audit, including individuals from component auditor firms who perform audit work related to components for purposes of the group audit;
- (b) All others within or engaged by the group auditor firm who can directly influence the outcome of the group audit, including:
- (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the group engagement partner in connection with the performance of the group audit, including those at all successively senior levels above the group engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent);
  - (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the group audit; and
  - (iii) Those who perform an engagement quality review, or a review consistent with the objective of an engagement quality review, for the group audit; and
- (c) All those within a network firm who can directly influence the outcome of the group audit.

**Commented [A31]:** Refer to agenda item 5-E #12

Component

An entity, ~~or~~ business unit, ~~or a~~ function or business activity, ~~(or some combination thereof)~~, determined by the group auditor for purposes of planning and performing audit procedures in a group audit

Component audit client

- When a component is an legal entity, the entity and any ~~controlled~~-related entities over which the entity has direct or indirect control.
- When a component is a business unit, ~~or a~~ function or business activity (or some combination thereof), the legal entity or entities to which the business unit belongs or in which the function or business activity is being performed.

~~Depending on the nature of the component and the audit work requested by the group engagement partner, a component auditor firm might perform an audit of financial statements or an audit of financial information.~~

**Commented [A32]:** Refer to agenda item 5-E #5

Component auditor

~~An auditor who, at the request of the group auditor, performs audit procedures related to a component for purposes of the group audit. A component auditor is a part of the engagement team for a group audit~~

**Commented [A33]:** Refer to agenda item 5-E #11

Component auditor firm

~~The firm carrying out performing audit procedures work related to a on the component for purposes of the group audit at the request of the group auditor firm.~~

**Commented [A34]:** Alignment with language in ISA 600 (Revised)

Group audit	The audit of group financial statements
Group audit client	The entity on whose group financial statements the group auditor firm conducts an audit engagement. The group audit client includes its related entities as specified in paragraph R400.20 and any other components that are subject to audit <u>work procedures</u> .
Group auditor firm	The firm that expresses the opinion on the group financial statements
Group engagement partner	The engagement partner who is responsible for the group audit
Group financial statements	Financial statements that include the financial information of more than one entity or business unit through a consolidation process

**GLOSSARY, INCLUDING LISTS OF ABBREVIATIONS**  
**Proposed Revised Definitions of Engagement Team, Audit Team, Assurance**  
**Team and Review Team**

(Marked-up against Extant Code)

- Assurance Team
- (a) All members of the engagement team for the assurance engagement;
  - (b) All others within the firm, or engaged by the firm, who can directly influence the outcome of the assurance engagement, including:
    - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the assurance engagement partner in connection with the performance of the assurance engagement;
    - (ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the assurance engagement; and
    - (iii) Those who provide perform an engagement quality control review, or a review consistent with the objective of an engagement quality review, for the assurance engagement, ~~including those who perform the engagement quality control review for the assurance engagement.~~

- Audit Team
- (a) All members of the engagement team for the audit engagement;
  - (b) All others within the firm, or engaged by the firm, who can directly influence the outcome of the audit engagement, including:
    - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in connection with the performance of the audit engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent);
    - (ii) Those who provide consultation regarding technical or industry-specific issues, transactions or events for the engagement; and
    - (iii) Those who provide perform an engagement quality control for the engagement, including those who perform the review, or a review consistent with the objective of an engagement quality ~~control~~ review, for the engagement; and
  - (c) All those within a network firm who can directly influence the outcome of the audit engagement.

*In Part 4A, the term "audit team" applies equally to "review team."*

- Review Team
- (a) All members of the engagement team for the review engagement; and
  - (b) All others within the firm, or engaged by the firm, who can directly influence the outcome of the review engagement, including:
    - (i) Those who recommend the compensation of, or who provide direct supervisory, management or other oversight of the engagement partner in

connection with the performance of the review engagement, including those at all successively senior levels above the engagement partner through to the individual who is the firm's Senior or Managing Partner (Chief Executive or equivalent);

- (ii) Those who provide consultation regarding technical or industry specific issues, transactions or events for the engagement; and
  - (iii) Those who ~~provide~~ perform an engagement quality review, or a review consistent with the objective of an engagement quality review, -quality control for the engagement, -including those who perform the engagement quality control review for the engagement; and
- (c) All those within a network firm who can directly influence the outcome of the review engagement.

Engagement team

All partners and staff performing the engagement, and any other individuals ~~engaged by the firm or a network firm~~ who perform ~~assurance~~ procedures on the engagement, excluding an external expert and internal auditors who provide direct assistance on the engagement. ~~This excludes external experts engaged by the firm or by a network firm.~~

~~The term "engagement team" also excludes individuals within the client's internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610 (Revised 2013), Using the Work of Internal Auditors.~~

~~In Part 4A, the term "engagement team" refers to individuals performing audit or review procedures on the audit or review engagement, respectively.~~

~~(ISA 220 (Revised) provides further guidance on the definition of engagement team in the context of an audit of financial statements.~~

~~ISA 620 deals with the auditor's responsibilities relating to the work of an individual or organization in a field of expertise other than accounting or auditing, when that work is used to assist the auditor in obtaining sufficient appropriate audit evidence.~~

~~ISA 610 (Revised 2013) deals with the auditor's responsibilities if using the work of internal auditors, including using internal auditors to provide direct assistance on the audit engagement.)~~

~~In Part 4B, the term "engagement team" refers to individuals performing assurance procedures on the assurance engagement.~~

**Note to IESBA**

The Task Force is also proposing the following conforming amendments to Section 360 to align with terminology in the proposed ISA 600 (Revised).

**PART 3 - PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE**

**SECTION 360**

**RESPONDING TO NON-COMPLIANCE WITH LAWS AND REGULATIONS**

Communication with Respect to Groups

**R360.16** Where a professional accountant is performing work on the financial information related to a component for the purposes of a group audit and becomes aware of non-compliance or suspected non-compliance in relation to a the component of a group in either of the following two situations, the accountant shall communicate the matter to the group engagement partner unless prohibited from doing so by law or regulation:

~~(a) The accountant is, for purposes of an audit of the group financial statements, requested by the group engagement team to perform work on financial information related to the component; or~~

~~(b) The accountant is engaged to perform an audit of the component's financial statements for purposes other than the group audit, for example, a statutory audit.~~

The communication to the group engagement partner shall be in addition to responding to the matter in accordance with the provisions of this section.

**R360.17** Where a professional accountant is performing an audit of the financial statements of an entity or a business unit for purposes other than a group audit, for example, a statutory audit, and becomes aware of non-compliance or suspected non-compliance in relation to the entity or business unit of the group, the accountant shall communicate the matter to the group engagement partner unless prohibited from doing so by law or regulation. The communication to the group engagement partner shall be in addition to responding to the matter in accordance with the provisions of this section.

360.186 A1 The purpose of the communication in paragraphs R360.16 and R360.17 is to enable a the group engagement partner to be informed about the matter and to determine, in the context of the group audit, whether and, if so, how to address it in accordance with the provisions in this section. ~~The communication requirement in paragraph R360.16 applies regardless of whether the group engagement partner's firm or network is the same as or different from the professional accountant's firm or network.~~

**R360.197** Where the group engagement partner becomes aware of non-compliance or suspected non-compliance in the course of an audit of group financial statements, the group engagement partner shall consider whether the matter might be relevant to one or more components:

~~(a) Whose financial information is subject to work for purposes of the audit of the group financial statements. If so, the group engagement partner shall take steps to have the matter communicated to those performing work at the components, unless prohibited from doing so by law or regulation; or~~

~~(b) Whose financial statements are subject to audit for purposes other than the group audit, for example, a statutory audit.~~

This consideration shall be in addition to responding to the matter in the context of the group audit in accordance with the provisions of this section.

**R360.20** ~~Where the group engagement partner becomes aware of non-compliance or suspected non-compliance in the course of an audit of group financial statements, the group engagement partner shall consider whether the matter might be relevant to entities or business units whose financial statements are subject to audit for purposes other than the group audit, for example, a statutory audit. This consideration shall be in addition to responding to the matter in the context of the group audit in accordance with the provisions of this section.~~

**R360.18** ~~If the non-compliance or suspected non-compliance might be relevant to one or more of the components specified in paragraph R360.17(a) and (b), the group engagement partner shall take steps to have the matter communicated to those performing work at the components, unless prohibited from doing so by law or regulation. If necessary, the group engagement partner shall arrange for appropriate inquiries to be made (either of management or from publicly available information) as to whether the relevant component(s) specified in paragraph R360.17 (b) is subject to audit and, if so, to ascertain to the extent practicable the identity of the auditor.~~

**R360.21** ~~If the non-compliance or suspected non-compliance might be relevant to one or more of the entities or business units specified in paragraph R360.20, the group engagement partner shall take steps to have the matter communicated to those performing work at the entities or business units, unless prohibited from doing so by law or regulation. If necessary, the group engagement partner shall arrange for appropriate inquiries to be made (either of management or from publicly available information) as to whether the relevant entity(ies) or business unit(s) specified in paragraph R360.20 is subject to audit and, if so, to ascertain to the extent practicable the identity of the auditor.~~

360.2248 A1 The purpose of the communication ~~in paragraphs R360.19 and R360.21~~ is to enable those responsible for work at the components, entities or business units to be informed about the matter and to determine whether and, if so, how to address it in accordance with the provisions in this section. ~~The communication requirement applies regardless of whether the group engagement partner's firm or network is the same as or different from the firms or networks of those performing work at the components.~~