

Auditing Standard

**AUS 602**  
(July 2002)

# Using the Work of Another Auditor

Prepared by the **Auditing & Assurance Standards Board** of the **Australian Accounting Research Foundation**



Issued by the  
**Australian Accounting Research  
Foundation** on behalf of  
**CPA Australia and The Institute of  
Chartered Accountants in Australia**

The Australian Accounting Research Foundation was established by CPA Australia and The Institute of Chartered Accountants in Australia and undertakes a range of technical and research activities on behalf of the accounting profession as a whole. A major responsibility of the Foundation is the development of Australian Auditing Standards and Statements.

Auditing Standards contain the basic principles and essential procedures identified in bold-type (black lettering) which are mandatory, together with related guidance. For further information about the responsibility of members for compliance with AUSs refer Miscellaneous Professional Statement APS 1.1 "Conformity with Auditing Standards".

Australian Accounting Research Foundation	Phone: (03) 9641 7433
Level 10,	Fax: (03) 9602 2249
600 Bourke Street	E-mail: <a href="mailto:standard@aarf.asn.au">standard@aarf.asn.au</a>
Melbourne Victoria 3000	Website: <a href="http://www.aarf.asn.au">www.aarf.asn.au</a>
AUSTRALIA	

#### COPYRIGHT

© 2002 Australian Accounting Research Foundation (AARF). The text, graphics and layout of this Assurance Engagement Standard are protected by Australian copyright law and the comparable law of other countries. No part of this Assurance Engagements Standard may be reproduced stored or transmitted in any form or by any means without the prior written permission of the AARF except as permitted by law.

ISSN 1324-4183

**AUDITING STANDARD**  
**AUS 602 “USING THE WORK OF ANOTHER AUDITOR”**

**CONTENTS**

	<i>Paragraphs</i>
Introduction.....	.01-.05
Acceptance as Principal Auditor.....	.06
The Principal Auditor’s Procedures.....	.07-.14
Co-operation Between Auditors.....	.15
Reporting Considerations	
<i>General</i> .....	.16-.18
<i>Reference to Another Auditor in the Audit Report</i> .....	.19
Operative Date.....	.20
Compatibility with International Standards on Auditing.....	.21

## AUS 602 “USING THE WORK OF ANOTHER AUDITOR”

---

### Introduction

- .01 The purpose of this Auditing Standard (AUS) is to establish standards and provide guidance when an auditor, reporting on the financial report of an entity, uses the work of another auditor on the financial information of one or more components included in the financial report of the entity. This AUS does not deal with those instances where two or more auditors are appointed as joint auditors, nor does it deal with the auditor’s relationship with a predecessor auditor. Further, when the principal auditor concludes that the financial information of a component is immaterial, the requirements in this AUS do not apply. When, however, several components, immaterial in themselves, are together material, the requirements outlined in this AUS would need to be considered.
- .02 ***When the principal auditor uses the work of another auditor, the principal auditor should determine how the work of the other auditor will affect the audit.***
- .03 “Principal auditor” means the auditor with responsibility for reporting on the financial report of an entity when that financial report includes financial information of one or more components audited by another auditor.
- .04 “Other auditor” means an auditor, other than the principal auditor, with responsibility for reporting on the financial information of a component which is included in the financial report audited by the principal auditor. Other auditors include affiliated firms, whether using the same name or not, and correspondents, as well as unrelated auditors.
- .05 “Component” means a division, branch, subsidiary, joint venture, associated entity or other entity whose financial information is included in financial reports audited by the principal auditor.

### Acceptance as Principal Auditor

- .06 ***The auditor should consider whether the auditor’s own participation is sufficient to be able to act as the principal auditor.*** For this purpose, the principal auditor would consider:
- (a) the materiality of the portion of the financial report which the principal auditor audits;
  - (b) the principal auditor’s degree of knowledge regarding the business of the components;

## AUS 602 “USING THE WORK OF ANOTHER AUDITOR”

---

- (c) the risk of material misstatements in the financial report of the components audited by the other auditor; and
- (d) the performance of additional procedures as set out in this AUS regarding the components audited by the other auditor resulting in the principal auditor having significant participation in such audit.

### The Principal Auditor’s Procedures

- .07 ***When planning to use the work of another auditor, the principal auditor should consider the professional competence of the other auditor in the context of the specific assignment.*** Some of the sources of information for this consideration could be common membership of a professional organisation, common membership of or affiliation with another firm, or reference to the professional organisation to which the other auditor belongs. These sources can be supplemented when appropriate by inquiries with other auditors and by discussions with the other auditor.
- .08 ***The principal auditor should perform procedures to obtain sufficient appropriate audit evidence that the work of the other auditor is adequate for the principal auditor’s purpose, in the context of the specific assignment.***
- .09 The principal auditor would advise the other auditor of:
  - (a) the principal auditor’s independence requirements regarding both the entity and the component, and obtain written representation as to compliance with them;
  - (b) the use that is to be made of the other auditor’s work and report and make sufficient arrangements for the co-ordination of their efforts at the initial planning stage of the audit. The principal auditor would inform the other auditor of matters such as areas requiring special consideration, procedures for the identification of inter-entity transactions that may require disclosure and the timetable for completion of the audit; and
  - (c) the accounting, auditing and reporting requirements, and obtain written representation as to compliance with them.
- .10 The principal auditor might also, for example, discuss with the other auditor the audit procedures applied, review a written summary of the other auditor’s procedures (which may be in the form of a questionnaire or checklist) or review working papers of the other

## AUS 602 “USING THE WORK OF ANOTHER AUDITOR”

---

auditor. The principal auditor may wish to perform these procedures during a visit to the other auditor. The nature, timing and extent of procedures will depend on the circumstances of the engagement and the principal auditor’s knowledge of the professional competence of the other auditor. This knowledge may have been enhanced from the review of previous audit work of the other auditor.

- .11 The principal auditor may conclude that it is not necessary to apply procedures such as those described in AUS 602.10. This may be appropriate because of sufficient appropriate audit evidence previously obtained that acceptable quality control policies and procedures are complied with in the conduct of the other auditor’s practice. For example when they are affiliated firms, the principal auditor and the other auditor may have a continuing, formal relationship providing for procedures that give that audit evidence, such as periodic inter-firm review, tests of operating policies and procedures and review of working papers of selected audits.
- .12 ***The principal auditor should consider the significant findings of the other auditor.***
- .13 The principal auditor may consider it appropriate to discuss with the other auditor, and the management of the component, the audit findings or other matters affecting the financial information of the component, and may also decide that supplementary tests of the records or the financial information of the component are necessary. Such tests may, depending on the circumstances, be performed by the principal auditor or the other auditor.
- .14 The principal auditor would document in the audit working papers the components whose financial information was audited by other auditors, their significance to the financial report of the entity as a whole, the names of the other auditors and any conclusions reached that individual components are immaterial. The principal auditor would also document the procedures performed and the conclusions reached. For example working papers of the other auditor that have been reviewed would be identified, and the results of discussions with the other auditor would be recorded. However, the principal auditor need not document the reasons for limiting the procedures in the circumstances described in AUS 602.11, provided those reasons are summarised elsewhere in documentation maintained by the principal auditor’s firm.

### **Co-operation Between Auditors**

- .15 ***The other auditor, knowing the context in which the principal auditor will use the other auditor’s work, should co-operate with***

## AUS 602 “USING THE WORK OF ANOTHER AUDITOR”

---

*the principal auditor.* For example the other auditor would bring to the principal auditor’s attention any aspect of the other auditor’s work that cannot be carried out as requested. Similarly, subject to legal and professional considerations, the other auditor will need to be advised of any matters that come to the attention of the principal auditor which may have an important bearing on the other auditor’s work.

### Reporting Considerations

#### *General*

- .16 ***When the principal auditor concludes that the work of the other auditor cannot be used, and the principal auditor has not been able to perform sufficient additional procedures regarding the financial information of the component audited by the other auditor, the principal auditor should express a qualified opinion because of a limitation on the scope of the auditor’s work.***
- .17 The principal auditor has sole responsibility for the opinion expressed on a consolidated financial report. If, having examined the financial reports and audit reports of subsidiaries of which the principal auditor has not acted as auditor, the principal auditor is not satisfied that the financial reports of any of these subsidiaries are in form or content appropriate for the purpose of the preparation of a consolidated financial report, or if the principal auditor has not received satisfactory information and explanations to form such opinion, the principal auditor would qualify the audit report on the consolidated financial report.
- .18 If the other auditor issues, or intends to issue, a qualified audit report, the principal auditor would consider whether the subject of the qualification is of such a nature and significance, in relation to the financial report of the entity on which the principal auditor is reporting, that a qualification of the principal auditor’s report is required. When the auditor of a controlled entity issues a qualified audit report, the auditor of the economic entity may have a statutory obligation to disclose details of that qualification in the audit report on the consolidated financial report.

#### *Reference to Another Auditor in the Audit Report*

- .19 ***The auditor should not refer to the work of another auditor in an audit report unless required by legislation or as part of a qualification.*** Such a reference may be misunderstood to be a qualification of the auditor’s opinion or a division of responsibility, neither of which is intended.

## AUS 602 “USING THE WORK OF ANOTHER AUDITOR”

---

### **Operative Date**

- .20 This AUS, which incorporates amendments made by AUS/AGS Omnibus 3 “Miscellaneous Amendments to AUSs and AGSs”, is operative from July 2002. This version of AUS 602 supersedes AUS 602 “Using the Work of Another Auditor”, as issued in October 1995.

### **Compatibility with International Standards on Auditing**

- .21 Except for the following matter, the basic principles and essential procedures of this AUS and of International Standard on Auditing ISA 600, Using the Work of Another Auditor, are consistent in all material respects:

As stated in AUS 602.19, the Auditing & Assurance Standards Board is of the view that when expressing an unqualified opinion, the auditor should not refer to the work of another auditor, as this may be misunderstood to indicate a division of responsibility. This is inconsistent with ISA 600 which allows such a reference in the audit report.