

Agenda Item 12.2
AUASB Meeting 6-7 April 2009
Marked Up Version

GS XXX
(2009)

Guidance Statement GS XXX
Third Party Access to Audit
Working Papers

Issued by the **Auditing and Assurance Standards Board**

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Guidance Statement. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Guidance Statement

This Guidance Statement is available on the AUASB website:
www.auasb.gov.au.

Alternatively, printed copies of this Guidance Statement are available by contacting:

The Auditing and Assurance Standards Board
Level 7
600 Bourke Street
Melbourne Victoria 3000
AUSTRALIA

Phone: (03) 8080 7400
Fax: (03) 8080 7450
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204
Collins Street West
Melbourne Victoria 8007
AUSTRALIA

COPYRIGHT

© 2009 Auditing and Assurance Standards Board (AUASB). The text, graphics and layout of this Guidance Statement are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source. Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to the Executive Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne Victoria 8007. Otherwise, no part of the Guidance Statement may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

ISSN 1833-7600

CONTENTS

AUTHORITY STATEMENT

	<i>Paragraphs</i>
Application.....	1
Issuance Date	3
Introduction.....	4-5 6
Definitions.....	67-9 10
Circumstances When Requests for Access are Made.....	101
General Considerations Applicable to All Requests for Access to Audit Working Papers.....	1112-29 31
Granting Access to the Auditor of a Controlling Entity.....	3032-38 41
Granting Access to Prospective Purchasers, Investors or Lenders.....	39 42
Granting Access to Internal Audit Working Papers in an Outsourced Internal Audit Arrangement.....	40 43
Granting Access to Regulatory Authorities.....	4144-45 48
Reviewing the Audit Working Papers of a Predecessor Auditor.....	4649-47 50
Conformity with International Pronouncements	48 51

APPENDIX 1 – EXAMPLE LETTERS

Example Letter A: Terms and Consent of a Controlled Entity’s Auditor for Access to the Audit Working Papers by the Controlling Entity’s Auditor	
Example Letter B1: Auditor’s Terms and Consent for Access to Audit Working Papers by an Adviser/Firm in Connection with a Transaction	
Example Letter B2: Auditor’s Terms and Consent for Access to Audit Working Papers by a Prospective Purchaser, Investor or Lender in Connection with a Transaction	
Example Letter C: <u>Auditor’s</u> Client Consent Letter to Allow Third Party Access to Audit Working Papers	

Guidance Statement GS XXX Third Party Access to Audit Working Papers

Example Letter D: Internal Auditor's Terms and Consent to Grant the External Auditor Access to Internal Audit Working Papers

Example Letter E: Predecessor Auditor's Terms and Consent to Allow Access to Audit Working Papers by the Successor Auditor

Draft

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates Guidance Statement GS XXX [Third Party Access to Audit Working Papers](#) pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on auditing and assurance matters.

This Guidance Statement provides guidance to assist the auditor to fulfil the objectives of the audit or assurance engagement. It includes explanatory details and suggested procedures on specific matters for the purposes of understanding and complying with AUASB [Auditing Standards](#). The auditor exercises professional judgement when using this Guidance Statement.

The Guidance Statement does not prescribe or create new mandatory Requirements.

Dated ____ 2009

M H Kelsall
Chairman - AUASB

GUIDANCE STATEMENT GS XXX

Third Party Access to Audit Working Papers

Application

- 1 This Guidance Statement has been formulated by the Auditing and Assurance Standards Board (AUASB) to provide guidance to auditors regarding third party requests for access to audit or review working papers related to:
 - (a) audits or reviews of a financial report undertaken in accordance with the *Corporations Act 2001* (“the Act”); and
 - (b) audits or reviews of a financial reports undertaken for any other purpose; and
 - (c) audits or reviews of other financial information.
- 2 This Guidance Statement also applies, as appropriate, to external auditor’s requests for access to internal auditor’s audit working papers.

Issuance Date

- 3 This Guidance Statement is issued on 2009 by the AUASB and replaces AGS 1038 Access to Audit Working Papers issued in February 2006.

Introduction

- 4 This Guidance Statement (GS) provides guidance to auditors when establishing and agreeing the conditions under which third parties are voluntarily granted access to their audit working papers and related documentation. Such documentation is required to be prepared in accordance with applicable Auditing Standards.¹ The

¹ Auditing Standard ASA 230 Documentation (para. 11) requires an auditor to prepare audit documentation that will enable an experienced auditor, having no previous connection with the audit, to understand: (a) the nature, timing and extent of the audit procedures performed, (2) results of the audit and evidence obtained and (3) significant matters arising during the audit and the conclusions reached thereon.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

protocols outlined in this Guidance Statement have resulted from consultation with practitioners, on the basis of a willingness by practitioners to co-operate in providing access to their audit working papers to third parties in certain circumstances.

5 -The protocols in this Guidance Statement endeavour to promote cooperation when access to an auditor's audit working papers is requested. Audit working papers are the auditor's property, and they may, at their discretion, grant, decline or restrict access (subject to regulatory, legislative or other legal requirements). Each request to access audit working papers is decided on its merits. An auditor might, for example, exercise their discretion to restrict or decline access to their audit working papers when their audit fees are outstanding, or if litigation has commenced or is threatened (unless the auditor becomes compelled to produce audit working papers in connection with that litigation). Third parties in this Guidance Statement may include regulators, auditors of controlling entities or joint ventures, advisers to prospective purchasers, investors or lenders, and successor auditor.

56 Regulatory ~~authorities~~, such as the Australian Securities and Investments Commission (ASIC), the Australian Prudential Regulation Authority (APRA) or the Australian Taxation Office (ATO), may also, pursuant to legislative requirements, request access to audit working papers. When access to audit working papers is required by a regulator, the auditor provides level of access ~~that is required to be granted by the auditor is~~ in accordance with the requirements of the relevant legislation.

Definitions

67 For the purposes of this Guidance Statement, the following terms have the meanings attributed below:

- (a) "Auditor" means the person or persons an individual auditor, audit firm or audit company.² Unless specified, auditor refers to an external auditor conducting an audit or review of an entity's financial report or other financial information. -conducting the audit or review of a financial report, usually the engagement partner or other members of the team, or, as applicable, the firm.
- (b) "aAudit (or review) working papers" (herein referred to as audit working papers in this Guidance Statement) contained within an audit file may include:

² This is consistent with Section 324AA of the Corporations Act 2001.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

- (i) Documents or any other records of information, produced or acquired by an auditor (whether from the client or third parties) during an engagement that are used, or developed, to undertake the engagement and fulfil the auditor's responsibilities under that engagement. ~~including the documents containing the auditor's assessment of the risk of significant misstatement of account balances;~~
- (ii) copies of documents, records or schedules produced by the client and utilised by the auditor to undertake an engagement;
- (iii) internal documents and records created or developed by the auditor to perform or support any audit or audit-based procedures undertaken or conclusion derived from these documents, such as memorandums, external correspondence with the client or third parties, and final reports;
- (iv) audit work programs (other than those considered proprietary by the audit firm); and
- (v) for an internal audit engagement—the internal audit working papers.

(c) An “audit file” is a file that contains the audit working papers as defined in (b) above, and those other documents that are excluded for the purposes of allowing third party access, as enumerated in paragraph 8 below.

~~(e)~~(d) “Internal audit function” means an appraisal activity, established within, or provided as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control.

(e) “Internal auditors” means those individuals who perform the activities of the internal audit function. Internal auditors may belong to an internal audit department of an entity or equivalent function or an internal audit provider.

(f) “Internal audit provider” means a third party contracted to provide internal audit services to an entity.

(g) “Third parties”, in addition to internal audit providers defined in (f) above, may also include regulators, auditors

Guidance Statement GS XXX Third Party Access to Audit Working Papers

of controlling entities or joint ventures, advisers to prospective purchasers, investors or lenders, and successor auditors.

(h) “Regulators” may include the Australian Securities and Investments Commission (ASIC), the Prudential Regulation Authority (APRA) or the Australian Taxation Office (ATO).

78 For the purposes of this Guidance Statement, the following documents and information which are ordinarily contained in an audit file, do not form part of the auditor’s audit working papers defined in paragraph 7 (b) that are normally provided to third parties when access is requested:

- (a) the auditor’s internal budgeting documents concerning costing or billing records for the audit client;
- (b) internal budgets relating to staffing-related documents for the engagement and any incidental personnel records or information about the engagement team;
- (c) documents or information that are subject to legal professional privilege; and
- (d) proprietary work programs (e.g. such as client acceptance checklists and internal firm independence review checklists).

The information contained in audit working papers can be in any form, including handwritten data, text, image or audio, and may be stored electronically or in hard copy.

89 When a regulator seeks access to audit working papers, the relevant legislative provisions may permit the regulator to access documents or information that do not form part of the auditor’s audit working papers for the purposes of this Guidance Statement as outlined in paragraph 8 above.

910 For the purposes of this Guidance Statement, documents or information or an audit working paper included in the audit file may be subject to “legal professional privilege” because an audit client, or relevant laws or regulations, at the time it was originally provided, required that such information or audit working paper be legally privileged. An example is legal advice regarding litigation against the audit client, as provided by its legal counsel. Paragraphs

[28 – 31 of this Guidance Statement contain further discussion related to legal professional privilege.](#)

Circumstances When Requests for Access Are Made

~~4011~~ The table below outlines:

- (a) common circumstances when requests for access to an external auditor’s audit working papers may arise;
- (b) specific paragraphs in this Guidance Statement that could be considered in deciding whether access will be granted; and
- (c) the sample-example letter(s) auditors may use for each specific circumstance listed.

Circumstances	Relevant Guidance Statement Paragraph	Example Letters in Appendix 1
<p>1. Audits of a Group Financial Report</p> <p>When a controlling entity’s auditor, in accordance with section 323B of the Corporations Act 2001, wishes to review the audit working papers of the auditor of a controlled entity, in connection with the audit or review of the consolidated financial reports <u>(including consolidated financial statements) of the controlling entity.</u>³</p>	<p>31-32 - 3840</p>	<p>Letter A Letter C</p>
<p>2. Prospective Purchaser, Investor or Lender</p> <p>When a third party adviser to a prospective purchaser, investor or lender of the auditor’s client wishes to review the audit working papers for the purposes to obtain of gaining information to assist them in of advising advise their client about a transaction.</p>	<p>4042</p>	<p>Letter B1 Letter B2 Letter C</p>
<p>3. Predecessor/Successor Auditor</p> <p>When an entity’s newly appointed auditor (successor auditor) wants to consider the predecessor auditor’s audit working papers in connection with the <u>next audit or review</u> of the entity.</p>	<p>47-49 - 4850</p>	<p>Letter E Letter C</p>

³ In these circumstances, Section 323B of the Corporations Act 2001 requires the controlled entity’s auditor to give the controlling entity’s auditor any information, explanation or assistance required under Section 323A of the Act.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

Circumstances	Relevant Guidance Statement Paragraph	Example Letters in Appendix 1
<p>4. Internal Audit</p> <p>Where the internal audit function is outsourced to an other firm and <u>internal audit provider and</u> the <u>entity's</u> external auditor wants to review the entity's internal audit working papers belonging to the internal audit firm or <u>provider</u> to gain an understanding of the entity's internal auditing activities relevant to the audit of the financial report.</p>	4143	Letter C Letter D
<p>5. Joint Venture</p> <p>When an auditor of a joint venture participant may want to review the auditor's <u>audit working papers of</u> the auditor relating to <u>of</u> the joint venture audit.</p>	3941	Letter A Letter C

General Considerations Applicable to all Requests for Access to Audit Working Papers

12 Certain matters need to be considered when an auditor receives a request for access to audit working papers. They include:

- (a) Client confidentiality requirements concerning access to audit working papers;
- (b) risk of legal claims resulting from allowing access and appropriate legal protection to mitigate that risk, such as indemnities that may be required, (depending on the circumstances governing the request including the form of the release, waiver or indemnity);
- (c) ~~as well as the~~ the appropriate sequence of indemnities between the auditor, auditor's client and any third parties;

~~(a)(d)~~ How and when the auditor grants access to their audit working papers, including having regard to whether the audit is complete; and

- (e) ~~Whether~~ the audit working papers contain documents or information which ~~that~~ are subject to legal considerations professional privilege, which ~~which~~ should

Guidance Statement GS XXX Third Party Access to Audit Working Papers

~~not form part of the audit working papers to be accessed by third parties.~~

~~4213~~ The guidance provided in this Guidance Statement needs to be adapted to the specific client or other circumstances faced by the auditor. For example, when an auditor is responding to a request to access their audit working papers by a regulator, some of the above considerations may not be applicable, as access is granted in accordance with the requirements of the relevant legislation.

Indemnities That May Be Required

~~(a) Client Confidentiality Requirements~~

14 Before ~~the auditor granting grants~~ third party access to audit working papers, the client's consent is necessary to ~~ensure the auditor complies prevent the auditor from breaching the with their~~ common law duty of confidentiality to the client, as well as ~~applicable~~ professional ethical standards on confidentiality.⁴ Unless consent is given, ~~preferably~~ in writing, the auditor cannot voluntarily grant access to third parties, ~~under any circumstances unless required by law to do so.~~

~~4415~~ When access to audit working papers is required by a regulator, the auditor (unless prohibited by the ~~notice terms of the regulator~~) ~~would nonetheless needs to~~ consider informing their client that access is being sought and will be granted in accordance with legislative requirements.

~~4516~~ The letter of consent required from the client needs to be signed by a person(s) appropriately authorised to legally bind the client. ~~For example, the consent letter may be signed by the client (for individuals if an individual), a partner (for a partnership) or a director (for a company in accordance with the company's constitution) or the a trustee (of for a trust).~~ If the client wishes to give consent under a power of attorney, the auditor considers whether it is necessary to sight the power of attorney document, ~~to ensure the client's authority has been given.~~

Client Indemnity

External Auditor

⁴ See Compiled APES 110 *Code of Ethics for Professional Accountants*, issued by the Accounting Professional and Ethical Standards Board.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

17 Whenever the auditor's client, or any third party, seeks access to audit working papers, the auditor ought to obtain from the client and any third party (as the case may be) an indemnity against any liability which arises ~~through the granting as a result of~~ that access.

~~1718~~ A company cannot under the *Corporations Act 2001*⁵ indemnify its auditor ~~in respect of~~ a liability to the company or a related body corporate ~~incurred which arises~~ in the capacity ~~as of being~~ the company's auditor. ~~However, the company, however,~~ can indemnify its auditor against ~~such~~ liabilities to third parties (i.e. parties other than the company and its related bodies corporate), and third parties themselves can indemnify the auditor against liability to those or other parties. Moreover, the company can indemnify its auditor ~~in respect of~~ a liability to the company or a related body corporate ~~which arises~~ incurred in a capacity other than as auditor. ~~If access is provided to audit working papers, in most cases the letter of consent includes an express disclaimer of reliance and exclusion of liability.~~

Internal Auditor

~~1819~~ The internal audit function of an ~~entity external auditor's client~~ may be undertaken by employees of the entity, or, might be outsourced to ~~another firm an internal audit provider~~. Where the internal audit services are outsourced to ~~another firm an internal audit provider~~, the opportunity for the external auditor to access the internal audit working papers of the ~~firm providing internal audit services provider on an outsourced basis~~ will depend on who "owns" the ~~such audit~~ working papers. Normally, the letter of engagement between the client and the internal auditor ~~provider~~ specifies who "owns" ~~internal~~ audit working papers, ~~concerning the internal audit function.~~

20 When the internal audit working papers are "owned" by the client, a ~~consent~~ letter to access the ~~documents and information~~ internal audit working papers is not required. Nonetheless, prior to allowing access, the internal audit ~~firm provider or the client~~ may request the external auditor to acknowledge that their access is subject to their obligations to comply with the requirements of Auditing Standard ASA 610 *Considering the Work of Internal Audit*. When the internal audit ~~services are provided by a firm on an outsourced basis and the audit~~ working papers are "owned" by the internal audit ~~firm provider~~:

- (a) The internal audit provider would ordinarily first require consent from its client before granting access to its working

⁵ See Section 199A, *Corporations Act 2001*.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

papers to the external auditor. Refer Example Letter C in Appendix 1 for an example client consent letter.

- (b) Once the internal audit provider has obtained the signed client consent letter, it would then request the external auditor to provide a signed request letter to access the internal audit working papers. Refer Example Letter D in Appendix 1 for an example of this letter.

~~See paragraph 43 for additional considerations related to granting access to internal audit working papers. Example Letter C (addressed to the client) and Example Letter D (addressed to the external auditor) outline the terms and conditions of the internal audit firm for the access to its audit working papers, including the releases, waivers and indemnities (as appropriate) from the client and the external auditor.~~

Indemnities from Third Parties

~~2021~~ The ~~auditor's~~ audit working papers which form part of an audit file ~~ordinarily~~ are ordinarily prepared for the sole purpose of an internal or external audit or review, ~~and if~~ Their preparation for an external financial report audit or review is for the sole purpose of documenting and supporting the auditor's conclusions included in the issue of an auditor's report on the entity's financial report. Consequently, audit working papers may not be suitable for any intended use by a third party, as the scope and nature of the third party's needs are not known by the auditor, and thus, ~~do not~~ do not form part of the scope of the audit.

~~2422~~ Access to the audit working papers by third parties, without receipt of appropriate releases, indemnities and waivers of reliance, could potentially place the auditor at risk of a legal claim by the third party based on the results of their access to the audit working papers. Accordingly, it would not be prudent for the auditor to grant such access to their audit working papers, unless the auditor has:

- (a) obtained the client's consent letter for access to be made to third parties and identified the terms on which access is to be provided (refer to Example Letter C in the Appendix to this AGS); and
- (b) agreed terms of access with ~~received a suitable release letter~~ the third party in writing, including appropriate releases and/or indemnities, whereby third parties accept the terms on which access to audit working papers is to be provided.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

23 If access is provided to audit working papers, in most cases the letter of consent includes an express disclaimer of reliance and exclusion of liability.

224 The Example Letters in Appendix 1 incorporate a suggested form of release, indemnity ~~or~~ and waiver of reliance that an auditor ordinarily seeks when responding to a request to access their audit working papers.

235 The Example Letters in Appendix 1 are designed to facilitate access to the auditor's audit working papers when access is sought by a third party. The Example Letters record the agreed basis on which an auditor may be prepared to provide access to their audit working papers to a third party agent. Access may be denied to the third party agent if a letter is not executed and obtained from the third party and the agent.

Auditor's Control Over Access to Audit Working Papers

246 ~~The protocols in this Guidance Statement endeavour to promote cooperation when access to an auditor's audit working papers is requested. Audit working papers are the auditor's property, and they may, at their discretion, grant, decline or restrict access (subject to regulatory, legislative. Each request to access audit working papers is decided on its merits. An auditor might, for example, exercise their discretion to restrict or decline access to their audit working papers when their audit fees are outstanding or if litigation has commenced or is threatened. An auditor may decide to allow limited access to some of their audit working papers and inform the third party that certain audit working papers have been omitted.~~

257 When access to audit working papers is granted, the auditor controls how access is to be administered. Ordinarily, the auditor ~~would~~ will:

- (a) agree on the format (electronic or hard copy) with the third party in which access to the audit working papers will be provided. The auditor is entitled to determine the format so as not to place at risk the confidentiality of any of their proprietary audit software and methodologies, as well as other clients' confidential information.
- (b) agree on and control the extent of access to original audit working papers granted to a third party.
- (c) oversee the physical inspection of audit working papers;

Guidance Statement GS XXX Third Party Access to Audit Working Papers

- (d) request that any questions arising from the examination of the audit working papers be put in writing. The auditor's response will be restricted to ~~the~~ matters in the audit working papers, rather than for example, answering questions of a general nature or matters concerning events subsequent to the reporting period covered by the audit engagement; and
- (e) not ~~permit making~~ permit making copies of audit working papers without specific consent. When permission to make copies of audit working papers is granted, the auditor ordinarily:
 - (i) maintains control over which audit working papers can be copied;
 - (ii) reviews all audit working papers that are to ~~be copied~~ be copied, prior to making them available to the third party;
 - (iii) retains a record of which audit working papers have been copied; and
 - (iv) considers what (if any) charge is to be made for the cost of making copies of the requested audit working papers.

Legal Professional Privilege

28 In undertaking an engagement, the auditor might access or incorporate within their audit ~~working papers~~ file confidential communications made between, or confidential documents prepared by, the audit client and their legal counsel(s). When the dominant purpose of these communications is for the client's legal counsel to provide legal advice to the client or where the documents have been created in contemplation of existing or anticipated legal proceedings, the communications may be subject to legal professional privilege.

2829 Documents or information included in the audit file that are subject to legal professional privilege are owned by the client and not the auditor. ~~Communications and correspondence subject to legal professional privilege may not need to be disclosed to the requesting party requesting party under discovery proceedings or to a regulator regulator. If an auditor provides access to their audit working papers to a third party (including a regulator regulator), which contain communications and documents subject to legal professional privilege, privilege may be compromised and the~~

Guidance Statement GS XXX Third Party Access to Audit Working Papers

~~correspondence may subsequently have to be provided to the requesting party. Accordingly, w~~When granting access to audit working papers is being contemplated, ~~the auditor needs to consider obtaining legal advice from its own legal counsel as to how to deal with documents or information that may be subject to legal professional privilege. A~~ client also ought to have an opportunity to review all documents and ~~written communications information~~ that are to be produced so that the client can assess whether a claim for legal professional privilege will be made in relation to specified documents.

~~2930~~ Accordingly, when access to audit working papers is granted by an auditor, ~~t~~The following are example communications, documents and information may attract legal professional privilege:

- (a) correspondence between the client and their legal advisers for the dominant purpose of giving or receiving legal advice, or for use in existing or anticipated litigation, which has been provided to the auditor for the engagement;
- (b) opinions from the legal counsel, and associated billing costs (including details of legal costs), where such information would disclose the nature of the advice sought or given;
- (c) correspondence between the auditor and the client's legal counsel; or
- (d) documents that incorporate the types of documents listed (a) to (c) above.

~~3031~~ If any of the documents or information listed in paragraph ~~29-30~~ above are contained in the audit working papers, or if the auditor is in any doubt about whether any client communications, ~~or~~ documents or information are subject to legal professional privilege, the auditor notifies their client in accordance with paragraph ~~28-29~~ above. In these circumstances, the auditor might also need to consult with their own legal counsel, in order to correctly identify the status of communications and documents that could potentially be the subject of legal professional privilege.

Granting Access to the Auditor of a Controlling Entity

Basis for Granting Access

~~3132~~ The auditor of a controlling entity has a duty to form an opinion on various matters as may be required by ~~legislation laws or~~

Guidance Statement GS XXX Third Party Access to Audit Working Papers

regulations, such as the *Corporations Act 2001* (or other relevant statutory requirements) regarding the consolidated financial report of the entity. There may also be circumstances when the auditor of a controlling entity may be engaged to perform a non-statutory audit of the consolidated financial report of the entity. The consolidated financial report of a controlling entity includes the financial statements of the controlling entity and its controlled entities, to form the consolidated group. The auditor of the controlling entity may wish to consider access the audit working papers of the auditor of a controlled entity in order to assist them in the audit of the controlling entity. ~~and to that end, the auditor of the controlling entity may issue instructions regarding the level of access required.~~ Regardless, when the work of another auditor is considered, the auditor of the controlling entity complies with the requirements of Auditing Standard ASA 600 *Using the Work of Another Auditor*. Under Auditing Standard ASA 600 *Using the Work of Another Auditor*, the auditor of the controlling entity is required to perform procedures to obtain sufficient appropriate audit evidence, that the work of the auditor of the controlled entity is adequate for the purposes of the auditor of the controlling entity, in the context of the specific engagement.⁶

Relevant Factors to Consider

3233 For an audits or review conducted under the *Corporations Act 2001 of a financial report that includes consolidated financial statements, the auditor of a controlled entity must allow the auditor of the controlling entity access to the controlled entity's books and must give the auditor of the controlling entity any information, explanation or assistance required for the purposes of the audit or review, consolidated financial statements⁷. The meaning attaching to these statutory requirements is not precise, as there is no judicial or statutory authority about what is meant by the words "information, explanation or assistance". The Act does not specify that the external auditor of the controlling entity has a statutory right to inspect the audit working papers of the external auditor of the controlled entity. Nonetheless, the auditor of a controlled entity ordinarily endeavours to be open and frank with the auditor of the controlling entity and seeks to ensure compliance with any reasonable request by the auditor of the controlling entity to discharge that their auditor's responsibilities under the *Corporations Act 2001*. The Act does not specify whether the auditor of the controlling entity has a statutory right to inspect the audit working papers of the auditor of a controlled entity. When In determining the*

⁶ See ASA 600 *Using the Work of Another Auditor*.

⁷ See Sections 323A and 323B of the *Corporations Act 2001*.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

extent of obligations ~~regarding whether~~ when the auditor of the controlled entity ~~has to give~~ the controlling entity's auditor access to their audit working papers, the requirements of Auditing Standard ASA 600 Using the Work of Another Auditor ~~is~~ are to be complied with.

3334 ~~The auditor of a controlled entity may grant Access may be granted by the auditor of a controlled entity to the auditor of the controlling entity access to its to inspect the~~ audit working papers ~~of the auditor of the controlled entity~~. For example, access is normally given for audit or review engagements (under the ~~Corporations Act or otherwise~~) 2001 ~~and is normally agreed to in other cases~~, but only if:

- (a) the controlled entity agrees to the terms of access as set out in Example Letter C in Appendix 1, including a release and indemnity in favour of the auditor of the controlled entity from liability which might ~~otherwise~~ arise through access being given to the auditor of the controlling entity; and
- (b) the auditor of the controlling entity agrees to the terms of access as set out in Example Letter A in Appendix 1.

3435 When access to audit working papers is granted, for audit or review engagements under the Act, the controlling entity cannot release or indemnify the auditor of the controlled entity under the Act's relevant provisions ⁸, ~~and the~~ auditor of the controlling entity will also often not agree to release or indemnify the auditor of the controlled entity by virtue of reliance by the controlling entity's auditor on the latter's auditor of the controlled entity's performance of its obligations provided required by the Act.⁹ Where the auditor of the controlled entity gives assistance or information to the auditor of the controlling entity more than is required under by the Act⁸, the auditor of the controlled entity could seek a release and an indemnity from the auditor of the controlling entity (and arguably from the controlling entity itself). Any release or indemnity referred to in this paragraph must extend to liability that arises through access to audit working papers, other files maintained by the auditor and their audit staff.

3536 Notwithstanding some uncertainty about the working paper access obligations of an auditor of a controlled entity under the ~~Corporations Act 2001~~¹⁰, Example Letter A in Appendix 1 identifies the basis upon which the auditor of a controlled entity may

⁸ Under the relevant provisions of See Section 199A, Corporations Act 2001.

⁹ Refers to legal obligations of the auditor of the controlled entity required by See Section 323B, Corporations Act 2001.

¹⁰ See Section 323B, Corporations Act 2001, section 323B.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

make audit working papers available to the auditor of the controlling entity. Example Letter A is completed and exchanged between both auditors, before access is granted by the auditor of a controlled entity to their audit working papers.

Circumstances ~~in Which~~ ~~When can the~~ ~~an~~ Auditor of a Controlled Entity Can Provide Access to their Audit Working Papers

~~3637 Ordinarily, Generally, it is expected that access to the audit working papers of the auditor of the controlled entity will not allow the auditor of the controlling entity access to its audit working papers until the auditor of the controlled entity has completed its audit or review. ,by the auditor of the controlling entity, would only be granted after the audit of the controlled entity has been completed.~~

~~3738~~ For the purposes of this Guidance Statement, the audit of a controlled entity is complete when:

- (a) the ~~D~~directors' ~~D~~declaration about the financial statements¹¹ or similar representation by the entity's governing body, attached to the financial report, is signed; and
- (b) the auditor's report on the financial report is signed and dated.

~~3839~~ Some practical issues that may be encountered by an auditor of a controlled entity regarding access to their audit working papers by the auditor of the controlling entity include:

- (a) Where the controlled entity is a subsidiary of an overseas controlling entity and the management of ~~that the~~ controlling entity has forwarded a group consolidation package, access may not be granted to the controlling entity's auditor until the controlled entity's audit has been completed in accordance with paragraph 38 (a) and (b) above, and the controlled entity's auditor's engagement procedures are finalised. Prior to this, the controlled entity's auditor may consider if it is prepared to provide a written response on the stage of completion of the audit, the basis of the review of the consolidation package and the opinion on the appropriateness of the package for group consolidation purposes.

¹¹ As required by Section 295, *Corporations Act 2001*.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

- (b) ~~Similarly, if the controlled entity's financial report has been finalised, and submitted for group consolidation purposes, but the requirements in paragraph 38 (a) and (b) above are not yet complete, then directors' Declaration has not yet been signed,~~ access to the auditor's audit working papers is inappropriate, and is unlikely to be granted. ~~as the audit will not be complete until a representation is obtained to record the directors' adoption of the financial report. Therefore, u~~Until the directors have provided the auditor the signed ~~D~~directors' Declaration, the auditor of the controlled entity will not be able to confirm that the directors have agreed with, and adopted the representations of management. Once this occurs, the auditor of the controlled entity may be requested to advise the auditor of the controlling entity, in writing, of any differences between the previously reported upon group consolidation package and the statutory financial report.

3940 The following guidance is also relevant with regard to access to audit working papers by the auditor of the controlling entity:

- (a) At the completion of the audit of a controlled entity, the auditor of the controlled entity may grant the auditor of the controlling entity access to their audit working papers ~~and audit personnel staff,~~ when the auditor of the controlling entity has provided to the auditor of the controlled entity a letter of understanding in the form of Example Letter A in Appendix 1.
- (b) Access to the controlled entity's auditor's audit working papers and audit staff is likely to be denied to all parties and, similarly, access ought not to be requested until the completion of the audit of ~~a the~~ controlled entity or until adoption of the controlled entity's financial report. Nonetheless, the respective auditors may negotiate access to audit working papers at an earlier time. When access to incomplete audit working papers is permitted, it is prudent to acknowledge that the audit work or accompanying audit working papers may not reflect significant events or matters which are material to the audit ~~or review~~ at the date when access is agreed. The acknowledgement ought to also contain the extent to which ~~the controlled entity's auditor has (if any) obligation or responsibility is to be undertaken about updateing~~ the audit working papers or informing the reviewing auditor of information obtained subsequent to the date access is provided to the incomplete audit working papers.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

- (c) Until completion of the audit of the controlled entity, or until completion of a group's consolidation reporting package, requests by the auditor of the controlling entity to the auditor of the controlled entity for progress reports, advice on or information on the audit of the controlled entity are best made in writing, detailing specific matters on which a response is sought, and allowing the auditor of the controlled entity to respond in writing.

Access to Audit Working Papers of the Joint Venture Auditor

4041 When ~~the an~~ audit client is one of the parties in a joint venture, the ~~entity's audit client's~~ auditor may seek access to the audit working papers belonging to the auditor of the joint venture. In this context, issues similar to those related to access to audit working papers of the auditor of a controlled entity by the controlling entity's auditor (discussed above) will need to be considered. Normally, audit arrangements are outlined in the joint venture agreement, wherein one auditor is appointed to audit the joint venture. However, as the investment in the joint venture may be material to one or more of the joint venturers, (whose financial report may be audited by another auditor), it may be necessary for that auditor to gain access to the audit working papers of the joint venture's auditor. Unless specifically provided for in the auditor's contract of appointment with the joint venture, the auditors of the joint venture parties may not be legally entitled to such access. However, to assist the auditor of a joint venture party, access may be granted at the discretion of all the relevant parties to the joint venture and the joint venture's auditor by completing and exchanging Example Letter A in Appendix 1.

Granting Access to Prospective Purchasers, Investors or Lenders

Basis for Granting Access

4142 Owners of an entity seeking to sell their investment, or entities seeking further equity or loan funding from third parties, often believe their objectives might be facilitated by requesting the entity's auditor to make available their audit working papers to third parties. As such a request potentially exposes an auditor to significant legal risk, access to audit working papers for this purpose necessitates the following matters be considered by the auditor before access ~~would be~~ given:

- (a) whether to obtain legal advice ~~ought to be obtained~~; and

Guidance Statement GS XXX Third Party Access to Audit Working Papers

- (b) ensure the auditor's client and third parties, to whom access is to be given, confirm and acknowledge, in favour of the auditor:
 - (i) that no representation is made about the accuracy or completeness of the audit working papers or any additional information provided in connection with that access, or of any individual amounts, accounts, balances, transactions or disclosures, or the accuracy or completeness of other information included in the audit working papers or any additional information;
 - (ii) that the auditor is not responsible to the audit client and/or other third parties for any loss suffered in connection with access, to or use of, the audit working papers; and
 - (iii) that the auditor will receive an indemnity against any loss, action, liability, claim, suit, demand, claim for costs or expenses or any other proceeding that the auditor may suffer arising out of, or in connection with, granting access to the audit working papers and the additional information given in connection with that access.

Granting Access to Internal Audit Working Papers in an Outsourced Internal Audit Arrangement

4243 When the internal audit function of an entity is outsourced to another ~~internal audit provider firm~~, or where ~~personnel from the internal audit provider are resources~~ are seconded to an internal audit client, and the audit working papers belong to the ~~that outsourced firm~~ internal audit provider, the external auditor may seek access to the entity's internal audit working papers to gain an understanding of relevant internal auditing activities that are relevant to the audit or review of the financial report. In such circumstances, the following matters may be considered:

- ~~(b) an external auditor who is seeking access to the audit working papers of an internal auditor identifies who owns, and thus controls, those internal audit working papers; this is because there may be instances where the internal audit function is outsourced to another firm an internal audit provider, or where personnel from an internal audit provider resources are seconded to an internal audit~~

Guidance Statement GS XXX Third Party Access to Audit Working Papers

client—the internal audit working papers resulting from the firm’s engagement may be the property of the audit client, rather than the firm’s internal audit provider;

(a)

~~(e)(a)~~ whenever an external auditor seeks access to the audit working papers of an internal auditor’s audit working papers needs to, compliance-comply with the standards requirements and guidance in Auditing Standard ASA 610 *Considering the Work of Internal Audit*. This includes acknowledging that an understanding of the audit client’s internal control structure and subsequent assessment of audit risk, gained from the review of the internal auditor’s audit working papers, are based solely on the external auditor’s professional judgement; and

~~(e)(b)~~ generally, internal audit working papers prepared under an outsourced arrangement by an internal audit provider will not be released for consideration review by the external auditor another accounting the outsourced firm under such an outsourcing arrangement until after the related internal audit report is finalised each final internal audit report and/or has been tabled with the Audit Committee (or equivalent governing body), subject to the terms of the outsourcing arrangement.

Granting Access to Audit Working Papers by Regulatory Regulators Authorities

~~4344~~ An auditor is generally required to produce, or give access to, their audit working papers when:

- (a) legally requested to do so pursuant to the issue of a subpoena, search warrant or court order in the prescribed or pursuant to discovery obligations during court proceedings manner; or
- (b) as required by a regulatory authorities such as ASIC, APRA and the ATO, under relevant legislative provisions.

~~3945~~ Regulatory Regulators authorities may seek to access an auditor’s audit working papers when, for example, they are undertaking:

- (a) an investigation of an alleged or suspected contravention of the relevant legislation by an entity the auditor’s client; or

Guidance Statement GS XXX Third Party Access to Audit Working Papers

- (b) compliance-related surveillance activities concerning legislative obligations ~~of entities~~ or monitoring of industry-wide issues ~~that affect the auditor's client~~.

4546 If under the relevant legislation regulatory authorities seek access to audit working papers, the auditor's statutory obligations under normal circumstances will override common law or professional responsibilities to respect the confidentiality of the client. The level of access granted by the external auditor will need to be in accordance with the requirements of the relevant legislation.

4647 When a regulator requests an auditor to provide access to their audit working papers ~~in relation to an engagement~~, the request is normally made on a formal basis, ~~in which case it is usually confirmed through~~ by issuing a written notice under the legislation. The notice typically sets out for example, the nature of the matter to be investigated, to whom and when audit working papers are required to be made available and a description of the specific audit working papers to be provided.

4748 When regulatory ~~sy~~ authorities, pursuant to their legal/regulatory powers, ~~seek~~ require access to audit working papers, auditors would normally, subject to legal advice and internal firm requirements, undertake the following procedures:

- (a) except ~~where a court order prohibits such disclosure is prohibited by law~~, inform the client, or former client that a request for audit working papers concerning the audit client's engagement has been made and the purpose for which access is required;
- (b) consult their legal counsel; and
- (c) where appropriate, and ~~perhaps~~ in consultation with the client, inform the regulator seeking access to their audit working papers that certain audit working papers may not be accessed, because they are the subject of client legal professional privilege (see paragraph 2728); and
- (d) maintain a written record of action taken to comply with the regulator's request, as well as a list of the audit working papers provided pursuant to such request; and
- (e) ensure the regulator provides a written receipt for all audit working papers accessed.

Reviewing the Audit Working Papers of a Predecessor Auditor

[4849](#) A recently appointed auditor (successor auditor) of an entity which requires an audit in accordance with the [Corporations Act 2001 \(the Act\)](#) has a statutory responsibility to report on the financial report of the entity in the year of appointment pursuant to the provisions of the Act (or other relevant legislation). The financial report on which the ~~recently appointed~~ successor auditor reports is affected by the account balances carried forward from the previous reporting period on which the predecessor auditor issued an audit report. Consequently, the successor auditor will need to form a view about whether the opening balances for the year are fairly stated in accordance with Auditing Standard ASA 510 *Initial Engagements – Opening Balances*. It is for this purpose access to the predecessor auditor’s audit working papers may be ~~sought~~ [obtained](#). The ~~auditor’s~~ [client’s](#) consent prior to granting access is considered essential in these circumstances and Example Letter C in Appendix 1 sets out the matters that are ordinarily addressed.

Appropriate Procedures

[4950](#) Where the predecessor auditor agrees to provide the successor auditor access to the auditor’s audit working papers, such access ordinarily involves an exchange of letters between the two auditors. Example Letter E in Appendix 1 sets out the matters ordinarily addressed, though amendments may be required to reflect circumstances specific to the engagement.

Conformity with International Pronouncements

[5051](#) There is no equivalent International Auditing Practice Statement (IAPS) to this Guidance Statement.

APPENDIX 1

EXAMPLE LETTER A: TERMS AND CONSENT OF A CONTROLLED ENTITY'S AUDITOR FOR ACCESS TO THE AUDIT WORKING PAPERS BY THE CONTROLLING ENTITY'S AUDITOR

The following example letter can be tailored to specific circumstances where the external auditor of a controlling entity is seeking to review the audit working papers of the external auditor of the controlled entity for an audit or review of a financial report prepared under the Corporations Act 2001. It can also be tailored for entities subject to other statutory requirements. A client consent letter (Example Letter C) is required to be obtained before this letter can be provided.

Auditor's Letterhead

[Date]

(Reviewing Auditor)

[Address]

Dear [Insert controlling entity's auditor's name]

You have asked for access to our audit working papers of the statutory audit of [name of controlled entity] for the year ended [date] (the "Audit Working Papers") under section 323B of the *Corporations Act 2001* in connection with your statutory audit of [name of controlling entity] for the year ended [financial year end for controlling entity]. You have also asked us to answer any questions you may have in relation to the Audit Working Papers ("Additional Information").

This letter sets out the terms on which we are prepared to grant you access to the Audit Working Papers and to provide you with the Additional Information. You acknowledge and agree that:

1. You may only use the Audit Working Papers and Additional Information in connection with your audit of [name of controlling entity] for the year ended [financial year end for controlling entity].
2. You will make a request for any Additional Information in writing.

3. Our work was performed and the Audit Working Papers were prepared in connection with our role as the statutory auditor of **[insert name of controlled entity]** for the year ended **[insert year end]** and for no other purpose.
4. Our Audit Working Papers or any Additional Information may not be sufficient or appropriate for your purpose. In performing our statutory audit of **[insert name of controlled entity]** we may not have addressed matters in which you **[or the controlling entity]** may be interested or which may be material to you or **[controlling entity]**.
5. The Audit Working Papers and any Additional Information relate to the period ended **[insert date]**. Events may have occurred since that date which may impact on the information contained in the Audit Working Papers or your statutory audit of **[name of controlling entity]**. To the extent permitted by law, access to our audit working papers will not be made available until the audit of **[name of controlled entity]** is completed.
6. To the maximum extent permitted by law (including subject to the *Corporations Act 2001* and Australian Auditing Standards), we are not responsible to you or any other party for any loss you or any other party may suffer in connection with your access to or use of the Audit Working Papers or any Additional Information.
7. The Audit Working Papers and any Additional Information are confidential information and must be treated as such by you. They must not be copied or used for any other purpose or disclosed or distributed to anyone (other than disclosure as required by law), without our prior written consent, which may be granted at our absolute discretion and may be subject to conditions.
8. We reserve the right to withhold any information from the Audit Working Papers which is confidential to us. Accordingly, unless we have a legal obligation not to do so, we reserve the right to remove files from our Audit Working Papers relating to practice management issues such as budgets, time/cost records, proprietary software, staffing records and any other information that is confidential to us, or is the subject of legal professional privilege.
9. In accordance with Auditing Standard ASA 600 *Using the Work of Another Auditor*, you have sole responsibility for the opinion expressed on the consolidated financial report of **[controlling entity]** for the year ended **[insert date]**.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

10. You must not name us in any report or document which will be publicly available or lodged or filed with any regulator without our prior written consent, such consent will be granted at our absolute discretion and may be subject to conditions.

11. In accordance with ASA 600 *Using the Work of Another Auditor*, you will, subject to legal and professional considerations, bring to our attention any matters of which you are aware that might have an important bearing on our audit of **[name of controlled entity]**.

Please acknowledge that you accept these terms by signing dating and returning this letter to us at **[insert address]**

Yours faithfully

(Signature of Partner)
(Auditor of Controlled Entity)

We accept the terms on which access to the Audit Working Papers and Additional Information is to be provided.

(Signature of Partner)
(Auditor of Controlling Entity)

(Date)

Appendix 1

EXAMPLE LETTER B1: AUDITOR'S TERMS AND CONSENT FOR ACCESS TO AUDIT WORKING PAPERS BY AN ADVISER/FIRM IN CONNECTION WITH A TRANSACTION

The following example letter may be tailored to the specific client circumstances as well as for access to audit working papers for a review engagement. A client consent letter (Example Letter C) is required before this letter can be provided.

Auditor's Letterhead

(Date)

Reviewing firm/adviser
(address)

Dear [Insert addressee(s)]

You, [name of reviewing firm/adviser], have asked for access to our audit working papers of the statutory audit of [name of entity] for the year ended [date] (the "Audit Working Papers") in connection with [describe transaction] (the "Transaction"). You have also asked us to answer any questions you may have in relation to the Audit Working Papers ("Additional Information"). [name of entity] has authorised us at our discretion to give you access to the Audit Working Papers and provide you with Additional Information. This letter sets out the terms on which we are prepared to grant you access to the Audit Working Papers and to provide you with any Additional Information. You acknowledge and agree that:

1. You may only use the Audit Working Papers and Additional Information in connection with the Transaction.
2. You will make a request for any Additional Information in writing.
3. Our work was performed and the Audit Working Papers were prepared in connection with our role as the statutory auditor of [insert name of entity] for the year ended [insert year end] and for no other purpose.
4. Events may have occurred since we prepared the Audit Working Papers, which may impact on the information contained in the Audit

Working Papers and on the Transaction, however, we are not obliged to update our Audit Working Papers after the financial report has been issued.

5. In accordance with Australian Auditing Standards, there are inherent limitations in an audit of a financial report, accordingly our audit report is not a guarantee that the financial report is free of material misstatement. In undertaking the audit, we exercised our professional judgement regarding for example:
 - (a) our assessment of materiality, and
 - (b) our selective testing of the data being audited, which involves judgement about both the number of transactions to be audited and the areas to be tested.

This means our Audit Working Papers and any Additional Information may include information and conclusions that may be assessed differently by you in the context of the Transaction.

In addition, the scope of an audit is normally narrower than an investigation that a [reviewing firm/adviser] might undertake. Therefore, our Audit Working Papers or any Additional Information are subject to these limitations and may not be sufficient or appropriate for the purposes of the Transaction. You should not rely on them or treat them as such. Furthermore, the [name of entity]'s financial report, our audit of the financial report and accompanying Audit Working Papers, were not planned, conducted or prepared in either contemplation or for the purposes of the Transaction.

6. We make no representation about the accuracy or completeness of the Audit Working Papers or any Additional Information or of any individual amounts, accounts, balances, transactions or disclosures, or the accuracy or completeness of other information included in our Audit Working Papers or any Additional Information. Accordingly, any notations, comments and individual conclusions appearing on the Audit Working Papers or in any Additional Information do not stand alone, and should not be read or relied upon by you as an opinion or conclusion regarding any individual amounts, accounts, balances, transactions or disclosures. While we will provide the Audit Working Papers and any Additional Information in good faith, you are responsible for verifying the accuracy and completeness of anything we provide to you.
7. We reserve the right to withhold any information from the Audit Working Papers which is confidential to us. Accordingly, unless we have a legal obligation not to do so, we reserve the right to remove

Guidance Statement GS XXX Third Party Access to Audit Working Papers

files from our Audit Working Papers relating to practice management issues such as budgets, time/cost records, proprietary software, staffing records and any other information that is confidential to us, or is subject to legal professional privilege.

8. The Audit Working Papers and any Additional Information are confidential information and must be treated as such by you. They must not be copied or used for any other purpose or disclosed or distributed to anyone (other than disclosure as required by law), without our prior written consent, which may be granted at our absolute discretion and may be subject to conditions.
9. To the maximum extent permitted by law, we are not responsible to you or any other party for any loss you or any other party may suffer in connection with your access to or use of the Audit Working Papers or any Additional Information.
10. You must not name us in any report or document which will be publicly available or lodged or filed with any regulator without our prior written consent, such consent will be granted at our absolute discretion and may be subject to conditions.
11. You, **[reviewing firm/advisers]**, will indemnify **[name of audit firm]**, its partners, officers and employees against any loss, action, liability, claim, suit, demand, claim for costs or expenses or any other proceeding we may suffer arising out of, or in connection with a breach of clauses [1](#), [8](#) or [10](#) of this letter.¹²
12. You agree to release and forever discharge **[name of audit firm]**, its partners, officers and employees from, and not assert against us, any action, liability, claim, suit, demand, claims for costs or expenses or any other proceedings arising out of, or in connection with, your access to the Audit Working Papers and the Additional Information.
13. We reserve the right to withdraw our consent to you having access to the Audit Working Papers or to providing any further Additional Information at any time including if you breach any of the terms of this letter.

Please acknowledge that you accept these terms by signing, dating and returning this letter to us at **[insert address]**

¹² When agreeing to provide the indemnity contained in Clause 11 of this letter, you should also consider, unless prohibited by law or regulation, obtaining a similar indemnity from the client.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

Yours faithfully

[Signature of partner]

[Audit Firm]

We confirm our acceptance of the terms on which access to the Audit Working Papers and Additional Information is to be provided.

[Signature]

Date

[Name of Reviewing Firm/Advisers]

Appendix 1

EXAMPLE LETTER B2: AUDITOR'S TERMS AND CONSENT FOR ACCESS TO AUDIT WORKING PAPERS BY A PROSPECTIVE PURCHASER, INVESTOR OR LENDER IN CONNECTION WITH A TRANSACTION

The following example letter can be used to inform the prospective purchase/lender/investor of the terms on which access to audit working papers and Additional Information are made available to a reviewing firm/adviser in relation to a transaction. The letter may be tailored to the specific client circumstances. The letter is from the perspective that the usual practice is to ~~make actual~~ allow access to the audit working papers and any additional information ~~available~~ only to the reviewing firm/adviser, rather than the prospective purchaser/lender/investor.¹³ A client consent letter (Example Letter C) is required before this can be provided.

Auditor's Letterhead

[Date]

[Prospective purchaser/investor/lender]

[Address]

Adviser
(Address)

Dear [Insert addressee(s)]

You, [Prospective Purchaser/Investor/Lender], have asked [name of reviewing firm/advisers] to seek access to our audit working papers of the statutory audit of [name of entity] for the year ended [date] (the "Audit Working Papers") in connection with [describe transaction] (the "Transaction"). You have also asked us to answer any questions they may have in relation to the Audit Working Papers ("Additional Information").

¹³ When it is contemplated that access to the auditor's Audit Working Papers will be given to an individual, firm or organisation, other than a professional assurance services (audit) firm, there is risk the party seeking access to the Audit Working Papers may not clearly understand the content, purpose and limitations inherent in the Audit Working Papers. In such circumstances, this Letter may need to be adapted to mitigate this risk.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

[Name of entity] has authorised us at our discretion to give (name of reviewing firm/advisers) access to the Audit Working Papers and provide them with Additional Information. Accordingly, this letter sets out the terms on which we are prepared to grant access to the Audit Working Papers and to provide any Additional Information to [name of reviewing firm/advisers].

You [Prospective Purchaser/Investor/Lender] acknowledge and agree that

1. [Name of reviewing firm/advisers] may only use the Audit Working Papers and Additional Information in connection with the Transaction.
2. [Name of reviewing firm/advisers] will make a request for any Additional Information in writing.
3. Our work was performed and the Audit Working Papers were prepared in connection with our role as the statutory auditor of [insert name of entity] for the year ended [insert year end] and for no other purpose.
4. Events may have occurred since we prepared the Audit Working Papers, which may impact on the information contained in the Audit Working Papers and on the Transaction, however, we are not obliged to update our Audit Working Papers after the financial report has been issued.
5. In accordance with Australian Auditing Standards, there are inherent limitations in an audit of a financial report, accordingly our audit report is not a guarantee that the financial report is free of material misstatement. In undertaking the audit, we exercised our professional judgement regarding for example:
 - (a) our assessment of materiality, and
 - (b) our selective testing of the data being audited, which involves judgement about both the number of transactions to be audited and the areas to be tested.

This means our Audit Working Papers and any Additional Information may include information and conclusions that may be assessed differently by you in the context of the Transaction.

In addition, the scope of an audit is normally narrower than an investigation that you or a [reviewing firm/advisers] might undertake. Therefore, our Audit Working Papers or any Additional Information are subject to these limitations and may not be sufficient or appropriate for the purposes of the Transaction. You

Guidance Statement GS XXX Third Party Access to Audit Working Papers

should not rely on them or treat them as such. The **[name of entity]**'s financial report, our audit of the financial report and accompanying Audit Working Papers, were not planned, conducted or prepared in either contemplation or for the purposes of the Transaction.

6. We make no representation about the accuracy or completeness of the Audit Working Papers or any Additional Information or of any individual amounts, accounts, balances, transactions or disclosures, or the accuracy or completeness of other information included in our Audit Working Papers or any Additional Information. Accordingly, any notations, comments and individual conclusions appearing on the Audit Working Papers or in any Additional Information do not stand alone, and should not be read or relied upon by you as an opinion or conclusion regarding any individual amounts, accounts, balances, transactions or disclosures. While we will provide the Audit Working Papers and any Additional Information in good faith, you are responsible for verifying the accuracy and completeness of anything we provide to **[name of reviewing firm/advisers]**.
7. We reserve the right to withhold any information from the Audit Working Papers which is confidential to us. Accordingly, unless we have a legal obligation not to do so, we reserve the right to remove files from our Audit Working Papers relating to practice management issues such as budgets, time/cost records, proprietary software, staffing records and any other information that is confidential to us, or is subject to legal professional privilege.
8. The Audit Working Papers and any Additional Information are confidential information and must be treated as such by you. They must not be copied or used for any other purpose or disclosed or distributed to anyone (other than disclosure as required by law), without our prior written consent, which may be granted at our absolute discretion and may be subject to conditions.
9. To the maximum extent permitted by law, we are not responsible to you or any other party for any loss you or any other party may suffer in connection with **[name of reviewing firm's/adviser's]** access to or use of the Audit Working Papers or any Additional Information.
10. You must not name us in any report or document which will be publicly available or lodged or filed with any regulator without our prior written consent, such consent will be granted at our absolute discretion and may be subject to conditions.
11. You, **[purchaser/investor/lender]**, will indemnify **[name of audit firm]**, its partners, officers and employees against any loss, action,

Guidance Statement GS XXX Third Party Access to Audit Working Papers

liability, claim, suit, demand, claim for costs or expenses or any other proceeding we may suffer arising out of or in connection with **[reviewing firm's/adviser's]** access to our Audit Working Papers and the Additional Information or arising out of, or in connection with, a breach of clauses 8 or 10 of this letter.

12. You agree to release and forever discharge **[name of audit firm]**, its partners, officers and employees from, and not assert against us, any action, liability, claim, suit, demand, claims for costs or expenses or any other proceedings arising out of, or in connection with, your access to the Audit Working Papers and the Additional Information.
13. We reserve the right to withdraw our consent to **[name of reviewing firm/advisers]** having access to the Audit Working Papers or to providing any further Additional Information at any time including if you or **[name of reviewing firm/advisers]** breach any of the terms of this letter.

Please acknowledge that you accept these terms by signing, dating and returning this letter to us at **[insert address]**

Yours faithfully

[Signature of Partner]
[Audit Firm]

We confirm our acceptance of the terms on which access to the Audit Working Papers and Additional Information relating to the statutory audit of **[name of entity]** for the year ended **[date]** is to be provided to **[name of reviewing firm/advisers]**.

[Signature]
[Name of Purchaser/Investor/Lender]

Date

Appendix 1

**EXAMPLE LETTER C: AUDITOR'S CLIENT
CONSENT LETTER TO ALLOW THIRD PARTY
ACCESS TO AUDIT WORKING PAPERS**

The following example letter is forwarded to the auditor's client in connection with a request by a third party to access the auditor's audit working papers by:

- (a) *the external auditor of the controlling entity, when seeking to access the audit working papers of the external auditor of the controlled entity for the audit of a financial report prepared under the Corporations Act 2001;*
- (b) *a purchaser/investor, lending institution, company and/or the reviewing firm/advisers, when seeking to access the audit working papers of the external auditor in connection with a proposed transaction;*
- (c) *the external auditor of the entity, when seeking to access the internal audit working papers of the internal auditor where the internal audit function has been outsourced; or*
- (d) *a successor auditor, when seeking to access the audit working papers of the predecessor auditor.*

Auditor's Letterhead

[Date]

[Client]

[Address]

Dear **[Insert client contact person]**

You have asked us to provide access to our audit working papers for **[See Insert 1]**¹⁴ for the year ended **[date]** (the "Audit Working Papers") to **[See Insert 2]**¹⁵ in connection with **[Insert description of purpose e.g. external**

¹⁴ **Insert 1** – Insert here either:

1. 'the statutory audit of [name of controlled entity]'
2. 'the internal audit of [name of entity]', or
3. 'name of entity / target company'—when in relation to a specific transaction.

¹⁵ **Insert 2** – Insert here either:

Guidance Statement GS XXX Third Party Access to Audit Working Papers

audit/ transaction]. You have also requested that we answer any questions they may have in relation to the Audit Working Papers (“Additional Information”). This letter sets out the basis on which we are prepared to grant access to our Audit Working Papers and any Additional Information to **[Insert 2]**.

You acknowledge that the Audit Working Papers and any Additional Information relate to the work that was undertaken by **[name of firm]** under the terms and conditions contained in our engagement letter dated **[insert date]**. Accordingly, the Audit Working Papers (including Additional Information) and the scope of our work may not be sufficient or appropriate for the purposes for which **[Insert 2]** has requested access.

We agree to make the Audit Working Papers and any Additional Information available to **[Insert 3 – Refer to Table below regarding the relevant text to be inserted]**:

Insert the following text in the letter	Attach accompanying letter
‘ [name of external auditor] if they sign a letter in the form attached, confirming the terms on which we are willing to provide access.’	If for the release of audit working papers to the: <ul style="list-style-type: none"> (a) external auditor of the controlling entity, attach Letter A (b) external auditor in relation to the internal audit working papers for the internal audit, attach Letter D. (c) newly appointed external auditor of the client entity, attach Letter E
‘ [reviewing firm/advisers] if they sign a letter in the form attached, confirming the terms on which we are willing to provide access. In particular, please note clauses 5, 7 and 13 of the attached letter.’	If for the release of audit working papers in relation to a Transaction attach Letter B1.
‘ [prospective purchaser, investor or	If for the release of audit working papers

1. ‘**name of external auditor of controlling entity**’—when the request is in relation to accessing the audit working papers of the controlled entity
2. ‘**reviewing firm/advisers**’—when the request is in relation to accessing the audit working papers of the entity for a proposed transaction
3. ‘**name of external auditor**’—when the request is for access to the audit working papers relating to the internal audit pursuant to Auditing Standard ASA 610 *Considering the Work of Internal Audit*, or
4. ‘**name of successor auditor**’—when the request is for access to the audit working papers of the predecessor auditor by the successor auditor.
5. ‘**prospective purchaser, investor or lender**’- when the request is in relation to accessing the audit working papers of the entity for a proposed transaction.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

lender] if they sign a letter in the form attached, confirming the terms on which we are willing to provide access. In particular, please note clauses 5, 7 and 13 of the attached letter.’	in relation to a Transaction attach Letter B2.
---	--

To the maximum extent permitted by law:

- (a) we are not responsible to you or any other party for any loss you or any other party may suffer in connection with the access to or use of the Audit Working Papers or any Additional Information by **[Insert 2]**.
- (b) you agree to release and forever discharge **[name of audit firm]** its partners, officers and employees from, and not assert against us, any action, liability, claim, suit, demand, claims for costs or other expenses or any other proceedings arising out of, or in connection with, the release of our Audit Working Papers and the Additional Information to **[Insert 2]**.
- (c) you will indemnify **[name of audit firm]**, its partners, officers and employees against any loss, action, liability, claim, suit, demand, claim for costs or expenses or any other proceeding we may suffer arising out of, or in connection with, access to the Audit Working Papers and any Additional Information by **[Insert 2]**.

Please acknowledge that you agree to these terms and to the release of the Audit Working Papers and any Additional Information to **[Insert 2]** by signing, dating and returning this letter to us at **[insert address]**.¹⁶

Yours sincerely

[Signature of Partner]
[Audit Firm]

We consent to the Audit Working Papers and any Additional Information being made available to **[Insert 2]** and to provide any Additional Information and accept the terms set out above on which such access will be provided. You have our consent to bill any time and other costs to us at your standard

¹⁶ If vendor is not also the target company then include the following: Please also arrange for this letter to be signed on behalf of [insert target]].

Guidance Statement GS XXX Third Party Access to Audit Working Papers

rate. I warrant that I have the necessary authority of the company to commit the company to these terms.

[Signature of Client's Authorised Officer(s)]

[Date]

Draft

Appendix 1

**EXAMPLE LETTER D: INTERNAL AUDITOR'S
TERMS AND CONSENT TO GRANT THE
ENTITY'S EXTERNAL AUDITOR ACCESS TO
INTERNAL AUDIT WORKING PAPERS**

The following example letter can be used where the internal auditor has received a request from the entity's external auditor to access their internal audit working papers which belong to the internal auditor, in connection with the external auditor's audit of the financial report of the entity. The internal audit working papers could relate to an assurance engagement conducted by the internal auditor or a non-assurance engagement conducted by the internal auditor (such as an agreed upon procedures engagement). This letter can be tailored to the specific client circumstances. A client consent letter (Example Letter C) is required before this letter can be provided.

Internal Auditor's Letterhead

[Date]

[Reviewing Auditor]
[Address]

Dear [Insert addressee(s)]

You have asked for access to our audit working papers of the internal audit of [name of entity]¹⁷ for the year ended [date] (the "Internal Audit Working Papers"), under Auditing Standard ASA 610 *Considering the Work of Internal Audit* in connection with your audit of the financial report of [name of entity] for the year ended [financial year end for entity]. You have also asked us to answer any questions you may have in relation to the Internal Audit Working Papers ("Additional Information").

This letter sets out the terms on which we are prepared to grant you access to the Internal Audit Working Papers and to provide you with the Additional Information. You acknowledge and agree that:

1. You may only use the Internal Audit Working Papers and Additional Information in connection with your audit of [name of entity] for the year ended [date].

¹⁷ Where not an internal audit, refer to other type of engagement, as the case may be.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

2. You will make a request for any Additional Information in writing.
3. Our work was performed, and the Internal Audit Working Papers were prepared, in connection with ~~the our~~ internal audit engagement of with [name of entity] for the year ended [date] and for no other purpose.
4. Our Internal Audit Working Papers or any Additional Information may not be sufficient or appropriate for your purposes and in performing our work for the internal audit of [insert name of entity] we may not have addressed matters which you may be interested or which may be material to you.
5. The Internal Audit Working Papers and any Additional Information relate to the periods specified within the Internal Audit Working Papers. Events may have occurred since we prepared the Internal Audit Working Papers, which may impact on the information contained in the Internal Audit Working Papers and on your statutory audit of [name of entity].
6. We reserve the right to withhold any information from the Internal Audit Working Papers that is confidential to us. Accordingly, unless we have a legal obligation not to do so, we reserve the right to remove files from our Internal Audit Working Papers relating to practice management issues such as budgets, time/cost records, proprietary software, staffing records, and any other information that is confidential to us, or is subject to legal professional privilege.
7. To the maximum extent permitted by law, we are not responsible to you or any other party for any loss you or any other party may suffer in connection with your access to or use of the Internal Audit Working Papers or any Additional Information.
8. The Audit Working Papers and any Additional Information are confidential information and must be treated as such by you. They must not be copied or used for any other purpose or disclosed or distributed to anyone (other than disclosure as required by law), without our prior written consent, which may be granted at our absolute discretion and may be subject to conditions.
9. In accordance with Auditing Standard ASA 610 *Considering the Work of Internal Audit*, you have sole responsibility for the opinion expressed on the financial report of [name of entity] for the year ended [insert date].
10. You must not name us in any report or document which will be publicly available or lodged or filed with any regulator without our

Guidance Statement GS XXX Third Party Access to Audit Working Papers

prior written consent, such consent will be granted at our absolute discretion and may be subject to conditions.

11. You agree that, in accordance with ASA 610, you will bring to our attention any matters of which you are aware which might have an important bearing on our internal audit of **[name of entity]**.
12. You agree to indemnify [name of audit firm], its partners, officers and employees against any loss, action, liability, claim, suit, demand, claim for costs or expenses or any other proceeding arising out of or in connection with a breach of clauses 8 or 10 of this letter.

Please acknowledge that you accept these terms by signing, dating and returning this letter to us at **[insert address]**

Yours faithfully

[Signature of Partner]
[Internal auditor]

We accept the terms on which access to the Internal Audit Working Papers and Additional Information is to be provided.

[Signature of Partner]
[Reviewing external auditor]

[Date]

Appendix 1

EXAMPLE LETTER E: PREDECESSOR AUDITOR'S TERMS AND CONSENT TO ALLOW ACCESS TO AUDIT WORKING PAPERS BY THE SUCCESSOR AUDITOR

The following example letter can be tailored to the specific client circumstances. A client consent letter (Example Letter C) is required before this letter can be provided.

Auditor's Letterhead

[Date]

[Reviewing Auditor]
[Address]

Dear [Name of newly appointed auditor]

You have asked for access to our audit working papers for the statutory audit of [name of entity] for the year ended [date] (the "Audit Working Papers") in connection with your appointment as the statutory auditor of [name of entity] for the year ended [date]. You have also asked us to answer any questions you may have in relation to the Audit Working Papers ("Additional Information").

This letter sets out the terms on which we are prepared to grant you access to the Audit Working Papers and to provide you with the Additional Information. You acknowledge and agree that:

1. You may only use the Audit Working Papers and Additional Information in connection with your audit of [name of entity] for the year ended [date].
2. You will make a request for any Additional Information in writing.
3. Our work was performed and the Audit Working Papers were prepared in connection with our role as the statutory auditor of [insert name of entity] for the year ended [insert year end] and for no other purpose.
4. The Audit Working Papers or any Additional Information may not be sufficient or appropriate for your purposes. This is because in

performing our statutory audit of **[insert name of entity]** for the year ended **[date]** we may not have addressed matters in which you **[or entity]** may be interested or are material to you regarding **[name of entity]**. You therefore agree it is your responsibility to ensure compliance with applicable Australian Auditing Standards, including the requirements in Auditing Standard ASA 510 *Initial Engagement – Opening balances*, Auditing Standard ASA 710 *Comparatives* and Auditing Standard ASA 600 *Using the Work of Another Auditor*, particularly with regard to your sole responsibility for the opinion expressed on the financial report of **[insert name of entity]** for the year ended **[insert date]**.

5. The Audit Working Papers and any Additional Information relate to the period(s) ended **[insert date]**. Events may have occurred since that date which may impact on the information contained in the Audit Working Papers or your statutory audit of **[name of entity]**.
6. To the maximum extent permitted by law, we are not responsible to you or any other party for any loss you or any other party may suffer in connection with your access to or use of the Audit Working Papers or any Additional Information.
7. The Audit Working Papers and any Additional Information are confidential information and must be treated as such by you. They must not be copied or used for any other purpose or disclosed or distributed to anyone (other than disclosure as required by law), without our prior written consent, which may be granted at our absolute discretion and may be subject to conditions.
8. We reserve the right to withhold any information from the Audit Working Papers which is confidential to us. Accordingly, unless we have a legal obligation not to do so, we reserve the right to remove files from our Audit Working Papers relating to practice management issues such as budgets, time/cost records, proprietary software, staffing records, and any other information that is confidential to us, or is subject to legal professional privilege.
9. You have sole responsibility for any opinion expressed, or any advice you give **[name of entity]** on the financial report of **[entity]** for the year ended **[insert date]** or any other period.
10. You must not name us in any report or document which will be publicly available or lodged or filed with any regulator without our prior written consent, such consent will be granted at our absolute discretion and may be subject to conditions.

Guidance Statement GS XXX Third Party Access to Audit Working Papers

Please acknowledge that you accept these terms by signing, dating and returning this letter to us at **[insert address]**

Yours faithfully

[Signature of Partner]
[Predecessor auditor]

We accept the terms on which access to the Audit Working Papers and Additional Information is to be provided.

Signature of Partner
[Successor auditor of entity]

Date