

GS XXX
(February 2009)

Guidance Statement GS XXX
*Access to Audit Working
Papers*

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

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ISSN 1833-7600

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Draft

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates Guidance Statement GS XXX *Access to Audit Working Papers* ~~as set out in paragraphs 1 to 8~~ pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on ~~procedural~~ 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 Standards. The auditor exercises professional judgement when using this Guidance Statement.

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

Dated ~~30~~ June 2008 ~~2009~~

M H Kelsall
Chairman - AUASB

GUIDANCE STATEMENT GS XXX

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 ~~on regarding third party requests for access to audit 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 financial reports undertaken for any other purpose.~~
- 2 ~~This Guidance Statement also applies, as appropriate, to requests for access to internal audit working papers.~~

Issuance Date

- ~~23~~ This Guidance Statement is issued on ~~1 July 2008~~ 2009 by the AUASB and replaces AGS ~~010-1038~~ Access to Audit Working Papers issued in February ~~2009~~2006.

Introduction

- 4 ~~This Guidance Statement (AGS) has been prepared by the Auditing and Assurance Standards Board (AUASB) to provide~~ guidance to auditors when establishing and agreeing ~~to the~~ conditions under which third parties are voluntarily granted access to their audit working papers and related documentation. The protocols outlined in this ~~document~~ **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. 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, so as to facilitate the efficient collection of information for stated objectives.
- 5 ~~In contrast, r~~Regulatory authorities, such as the Australian Securities and Investments Commission (ASIC), the Australian

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Prudential Regulation Authority (APRA) or the Australian Taxation Office (ATO), may also, pursuant to legislative requirements, seek request access to audit working papers. When access to audit working papers is required by a regulatory authority~~regulator~~, the level of access that is required to be granted by the auditor is in accordance with the requirements of the relevant legislation.

~~3~~The principles in this AGS are applicable to requests for access to an auditor's audit working papers for audits or reviews undertaken in accordance with the requirements of the Corporations Act 2001 and internal audits (where the internal audit working papers belong to the internal auditor); as well as other audit or review engagements in other similar circumstances.

Definitions

6 ~~In this~~For the purposes of this Guidance Statement, AGS, the following terms have the meanings attributed below.

(a) Auditor means the person or persons 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) ~~a~~Audit working papers include:

~~(a)(i)~~ a-dDocuments or any other records of information, produced or acquired by an auditor (whether from the client or third parties) during an engagement that ~~is~~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;

~~(b)(ii)~~ copies of documents, records or schedules produced by the client and utilised by the auditor to undertake ~~the~~an engagement;

~~(c)(iii)~~ internal documents and records created or developed by the auditor ~~or engagement team~~ 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~~:-~~;

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~~(d)(iv)~~ audit work programs (other than those considered proprietary by the audit firm); ~~and includes documents containing the auditor's assessments of the risk of significant misstatement of account balances;~~ and

~~(e)(v)~~ for an internal audit ~~assurance~~ engagement—the internal audit working papers.

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

~~(d)~~ Internal auditors means those individuals who perform the activities of the internal audit function. Internal auditors may belong to an internal audit department or equivalent function.

7 For the purposes of this Guidance Statement, the following documents and information do not form part of the auditor's audit working papers:

(a) the auditor's internal budgeting documents concerning costing or billing records for the audit client;

(b) budgets relating to staffing for the engagement and any incidental personnel records or information about the engagement team;

~~(e)~~ proprietary software; and

~~(d)(c)~~ documents or information that are subject to legal professional privilege; and

~~(d)~~ proprietary work programs such as client acceptance checklists and internal firm independence review checklists.

The information in audit working papers can be in any form, including ~~as handwritten~~ data, text, image or ~~sound~~ audio, and may be ~~stored in any type of information system, as hard copy documents, or as electronic communication in any data storage device~~ stored electronically or in hard copy.

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68 When a ~~regulatory authority~~ regulator seeks access to audit working papers, the relevant legislative provisions may permit the ~~regulatory authority~~ regulator to access documents or information that do not form part of the auditor’s audit working papers for the purposes of this ~~AGS~~ Guidance Statement.

9 For the purposes of this Guidance Statement, information or an audit working paper 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.

Circumstances When Requests for Access Are Made

710 The ~~Table~~ table below ~~identifies~~ outlines:

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

Audit working papers may be requested in the following circumstances Circumstances	See para Rel evant Guidanc e Stateme nt Paragra ph	See Sample Letters in Appendix 1 Letter
1. <u>Audits of a Group Financial Report</u> When a controlling entity’s auditor, <u>in accordance with section 323B of the Corporations Act 2001</u> , wishes to <u>consider review</u> the audit working papers of <u>the auditor of a controlled entity, having regard to section 323B of the Corporations Act 2001, for in connection with the</u>	<u>31 -</u> <u>38</u> 22-31	Letter A Letter C

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<p>Audit working papers may be requested in the following circumstances <u>Circumstances</u></p>	<p>See <u>paraRelevant Guidance Statement Paragraph</u></p>	<p>See <u>Sample Letters in Appendix 1-Letter</u></p>
<p>audit or review of the annual consolidated financial reports, or audit or review of the half year consolidated financial report.</p>		
<p>2. <u>Prospective Purchaser, Investor or Lender</u> When a third party adviser reviewing firm as representative of or adviser to a prospective purchaser, investor or lender of the auditor's client may wishes to consider review the auditor's audit working papers concerning an audited entity for the purposes of gaining information to assist them in of advising their client about a transaction.</p>	<p><u>4033</u></p>	<p>Letter B1 Letter B2 Letter C</p>
<p>3. <u>Predecessor/Successor Auditor</u> When an entity's newly appointed auditor (<u>successor auditor</u>) wants to consider the outgoing <u>predecessor</u> auditor's audit working papers in connection with the next audit of the entity.</p>	<p><u>47 - 48</u> <u>41 - 42</u></p>	<p>Letter E Letter C</p>
<p>4. <u>Internal Audit</u> Where the internal audit function is outsourced to <u>to</u> another firm and an the external auditor wants to review an the entity's internal audit working papers belonging to the internal audit firm; <u>to gain an understanding of</u> the entity's internal auditing activities relevant to the audit of the financial report. In these circumstances, the external auditor obtains an understanding of the entity's internal auditing activities and determines its effect on audit risk in accordance with Auditing Standard (AUS-604) Considering the Work of Internal Audit.</p>	<p><u>41</u> <u>34 - 35</u></p>	<p><u>Letter C</u> <u>Letter D</u> <u>Letter C</u></p>
<p>5. <u>Joint Venture</u> When an auditor of a joint venture participant may want to review the auditor's audit working papers relating to the joint venture audit.</p>	<p><u>39</u> <u>32</u></p>	<p>Letter A Letter C</p>

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

~~1011~~ Certain matters need to be considered when an auditor receives a request for access to audit working papers. They include: Where access to audit working papers is requested, the general guidance in paragraphs 6 to 21 and any specific guidance in this AGS can be considered in deciding whether access will be granted. These paragraphs deal with:

- (a) Client confidentiality requirements concerning access to audit working papers;
- (b) Indemnities that may be required, depending on the circumstances governing the request including the form of the release, waiver or indemnity, ~~which as a rule is sought by the auditor when access to their audit working papers is given; as well as the sequence of indemnities between the auditor, auditor's client and any third parties;~~
- ~~(a)(c)~~ How and when the auditor grants access to their audit working papers, including having regard to whether the audit is complete; and
- (d) Legal considerations professional privilege.

~~912~~ The guidance provided in this AGS 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 regulatory authority 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

13 Before granting third party access to audit working papers, the client's consent is necessary to prevent the auditor from breaching the common ~~law duty~~ law duty of confidentiality to the client, as well

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~~as professional ethical standards on confidentiality.~~¹ ~~Therefore, unless~~ ~~Unless~~ consent is given in writing, the auditor cannot voluntarily grant access to third parties; under any circumstances.

~~14~~ 14 When access to audit working papers is required by a ~~regulator~~ regulator, the auditor (unless prohibited by the notice) would nonetheless consider informing ~~the~~ their client that access is being sought and will be granted in accordance with legislative requirements.

~~15~~ 15 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.

~~11 In some situations other parties may seek a privity letter from the auditor, whereby the auditor is requested to acknowledge that the other parties will be placing reliance on the audit report on an entity's financial report. In such circumstances the auditor refers to AGS 1014 Privity Letter Requests for guidance. AGS 1014 provides that unless the auditor is prepared to accept responsibility to a third party, the auditor is to respond to the third party by stating that the body of shareholders is the only group entitled to rely on the auditor's report, and that it would be inappropriate for other parties to place any reliance on that report, given that the audit report was not directed at them. A copy of the response is sent to the audit client to ensure the client is reminded of the basis on which the audit report on the client's financial report has been issued.~~

Client Indemnity

External Auditor

16 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 of that access.

¹ See Compiled APES 110 *Code of Ethics for Professional Accountants*, issued by the Accounting Professional and Ethical Standards Board.

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17 A company cannot under ~~section 199A of~~ the *Corporations Act 2001*² indemnify its auditor in respect of a liability to the company or a related body corporate which arises in the capacity as the company's auditor. 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 liability to the company or a related body corporate which arises 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

~~1418~~ The internal audit function of an entity may be undertaken by internally employees of the entity by the audit client, alternatively or, ~~it~~ might be outsourced to another firm. Where the internal audit services are outsourced to another firm, the opportunity for the external auditor to access the internal audit working papers of the firm providing internal audit services on an outsourced basis will depend on who "owns" the audit working papers. Normally, the letter of engagement between the client and the internal auditor specifies who "owns" audit working papers concerning the internal audit function.

19 When the internal audit working papers ~~concerning the internal audit function~~ are "owned" by the client, a letter to access the documents and information is not required. Nonetheless, prior to allowing access, the internal audit firm may request the external auditor to acknowledge that their access is subject to their obligations to comply with the requirements of Auditing Standard ~~(ASA-ASA 604610)~~ *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:

(a) ~~, then~~ The internal audit firm would ordinarily first require consent from its client before granting access to its working papers to the external auditor. Refer Example Letter C in Appendix 1 for an example client consent letter.

(b) Once the third party internal auditor has obtained the signed client consent letter, it would then request the external auditor to provide a signed letter to access the internal audit

² See Section 199A, *Corporations Act 2001*.

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~~working papers. Refer Example Letter D in Appendix 1 for an example of this letter. a letter to access the audit working papers, in the form suggested in Example Letter D in the Appendix to this AGS, would ordinarily be required. An accompanying consent from the client in the form suggested in Example Letter C in the Appendix to this AGS is also obtained.~~

~~Example Letter C (addressed to the client) and Example Letter D (addressed to the external auditor) in Appendix 1 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.~~

~~(b) Indemnities from Third Parties or Third Party Agents~~

~~1620~~ The auditor's audit working papers ordinarily are prepared for the sole purpose of an internal or external audit, and if for an external financial report audit, 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 form part of the scope of the audit.

~~1721~~ Access to audit working papers by third parties, without appropriate releases, ~~indemnity~~ 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 ~~examination~~ access to of 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~~ granted to third parties and identified the terms on which the access is to be provided (refer to Example Letter C in ~~the~~ Appendix 1 to this AGS), and
- (b) received a suitable release letter from the third party, whereby the third parties-party accepts the auditor's terms on which access to audit working papers is to be provided.

~~22~~ The Example Letters in ~~the~~ Appendix 1 to this AGS incorporate a suggested form of release, indemnity or waiver of reliance that an auditor ordinarily seeks when responding to a request to access their audit working papers.

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~~1823~~ The Example Letters in ~~the Appendix 1 to this AGS~~ are designed to facilitate access to the auditor's audit working papers when access is sought by a third party ~~or an agent of the 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 ~~agent as well as the third party, third party and the agent~~.

Auditor's ~~to~~ Control Over Access to Audit Working Papers

~~1924~~ The protocols in this AGS Guidance Statement endeavour to promote ~~an atmosphere of~~ co-operation when access to an auditor's audit working papers is requested. ~~Nonetheless, audit~~ Audit working papers are the auditor's property, ~~and they may at their discretion to~~ which grant access may be allowed, declined or restricted access (subject to regulatory or legislative requirements), at the discretion of the auditor. 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 for an engagement, in which case the and auditor informs the requesting third party that certain audit working papers have been omitted.

~~2025~~ When access to audit working ~~papers is~~ papers is granted, the auditor controls how access is to be administered. ~~Typically~~ Ordinarily, the auditor would:

- ~~(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
- ~~(a)(c)~~ oversee the physical inspection of audit working papers;
- ~~(b)~~ control the extent of access to original audit working papers when granted to another party;

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~~(e)~~(d) request that any questions arising from ~~an~~the examination of the audit working papers be put in writing. ~~—t~~ 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

~~(d)~~(e) not permit ~~photo making copying copies~~ of audit working papers without specific consent. ~~However, when~~When permission ~~to photocopy 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 ~~documents~~audit working papers that are ~~to be photocopied, before prior to~~ making them available to ~~a the~~ third party;
- (iii) ~~ensures retains~~ a record ~~is kept~~ of ~~all which~~ ~~photocopied~~ audit working papers ~~have been copied~~; and
- (iv) considers what (if any) charge is ~~to be~~ made for the cost of ~~photocopying making copies of~~ the requested audit working papers.

Legal Professional Privilege

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

27 Legal professional privilege is 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),

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which contain communications and documents subject to legal professional privilege, privilege may be compromised and the correspondence may subsequently have to be provided to the requesting party. Accordingly, when access to audit working papers is contemplated, a client ought to have an opportunity to review all documents and written communications that are to be produced so that the client can assess whether a claim for legal professional privilege ~~will be~~ will be made in relation to specified documents.

2228 Accordingly, when access to audit working papers is granted by an auditor, the following communications and documents 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 ~~advisers~~ counsel; or
- (d) documents that incorporate the types of documents ~~listed~~ listed (a) to (c) above.

2329 If any of the documents listed in paragraph ~~20-28~~ above are contained in the audit working papers, or if the auditor is in any doubt about whether client communications or documents are subject to legal professional privilege, the auditor notifies their client in accordance with paragraph ~~19-27~~ above. In these circumstances, ~~T~~the auditor might also need to consult with their own legal ~~advisers~~ 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

2430 The auditor of a controlling entity has a duty to form an opinion on various matters as may be required by legislation, such as the

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Corporations Act 2001 (or other relevant statutory requirements) regarding 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 the audit working papers of the auditor of a controlled entity, and to that end, the auditor of the controlling entity may issue instructions regarding the level of access required. ~~However, in any event~~ Regardless, when the work of another auditor is considered, the auditor of the controlling entity ~~complies with~~ complies with the requirements of Auditing Standard ~~(AUS-ASA 602600)~~ Using the Work of Another Auditor. Under ASA 600, 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.²

Relevant Factors to Consider

3031 For audits conducted under the *Corporations Act 2001*⁴, 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 ~~under section 323A~~,⁵ for the purposes of the audit or review ~~of the consolidated financial statements~~ report. The meaning attaching to these statutory requirements is not precise, as there is no judicial or statutory ~~authority about~~ authority about what is meant by the words "information, explanation or assistance". 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 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 determining the extent of obligations regarding whether 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 to be complied with.

³ See ASA 600 *Using the Work of Another Auditor*, ~~para 14~~.

⁴ See Section 323B, *Corporations Act 2001*.

⁵ See Section 323A, *Corporations Act 2001*.

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~~24~~The *Corporations Act 2001* 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 determining the extent of obligations, regarding whether the auditor of the controlled entity has to give the controlling entity's auditor access to their audit working papers, the following requirements are adhered to:

25AUS 602.08 Using the Work of Another Auditor requires that:

“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.”

The commentary in AUS 602.10 states:

“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 auditor. The principal auditor may wish to perform these procedures during a visit to the other auditor. This knowledge may have been enhanced from the review of previous audit work of the other auditor.”

~~27~~32 Access may be granted by the auditor of a controlled entity to the auditor of the controlling entity 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 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 ~~the~~ Appendix 1 to this AGS, 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 ~~controlled~~ controlling entity agrees to the terms of access as set out in Example Letter A in ~~the~~ Appendix 1 to this AGS.

~~28~~33 ~~W~~When access to audit working papers is granted, for audit or review engagements under the *Corporations Act 2001* ~~Act~~, the

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controlling entity cannot release or indemnify the auditor of the controlled entity under the Act's relevant provisions⁶ ~~under section 199A of that Act~~, and the auditor of the controlling entity will often not agree to release or indemnify the auditor of the controlled entity by virtue of reliance on the latter's obligations under section 323B provided by the Act.⁷ Where the auditor of the controlled entity gives to the auditor of the controlling entity more than is required under section 323B under 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.

34 ~~Notwithstanding~~ some uncertainty about the working paper access obligations of an auditor of a controlled entity under section 323B of the Corporations Act 2001⁸, Example Letter A in ~~the Appendix 1 to this AGS~~ identifies the basis upon which the auditor of a controlled entity may 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.

When Circumstances When can the Auditor of a Controlled Entity Can Provide Access to their Audit Working Papers?

3035 Generally, it is expected that access to the audit working papers of the auditor of the controlled entity, by the auditor of the controlling entity, would only be granted after the audit of the controlled entity has been completed.

3136 For the purposes of this AGS Guidance Statement, the audit of a controlled entity is complete when:

- (a) the ~~directors' Declaration~~ Directors' Declaration⁹ (as ~~required under s. 295 of the Corporations Act 2001~~) 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.

⁶ See Section 199A, *Corporations Act 2001*.

⁷ See Section 323B, *Corporations Act 2001*.

⁸ See *Corporations Act 2001*, section 323B.

⁹ As required by Section 295, *Corporations Act 2001*.

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3237 Some practical issues 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 entity is a subsidiary of an overseas controlling entity and the management of that 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 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.
- (b) Similarly, if the controlled entity's financial report has been finalised, and ~~sent off~~ submitted for group consolidation purposes, but the ~~directors' Declaration~~ Directors' declaration 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, until the directors have ~~completed the provided the auditor the signed directors' Declaration~~ completed the provided the auditor the signed 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.

3338 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 ~~the Appendix 1 to this AGS~~.

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- (b) Access to the controlled entity's auditor's audit working papers and ~~personnel-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 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 ~~would 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 at the date when access is agreed, ~~and agree on~~. The acknowledgement ought to also contain the extent to which (if any) obligation or responsibility is to be undertaken about updating 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.
- (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

3439 When the audit client is one of the ~~joint venture~~ parties in a joint venture, the entity's auditor may seek access to the audit working papers belonging to the auditor of the joint venture. In this context, ~~above 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 ~~the~~ Appendix ~~1 to this AGS~~.

Granting Access to Prospective Purchasers, Investors or Lenders

Basis for Granting Access

3540 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~~~~Because~~ 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 legal advice ought to be obtained; and
- (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 Arrangements

3641 When the internal audit function of an entity is outsourced to another firm, or where resources are seconded to an internal audit client, and the audit working papers belong to ~~the~~ ~~that~~ outsourced firm, ~~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:

• ~~(a) an~~ ~~the~~an external auditor who is seeking access to the audit working papers of an internal auditor identifies who owns, and thus controls, those ~~the~~ internal audit working papers; this is because there may be instances where the internal audit function is outsourced to another firm, or where resources are seconded to an internal audit client—the internal audit working papers resulting from the firm's engagement may be the property of the audit client, rather than the firm;

□ ~~(b)~~ whenever an external auditor seeks access to the audit working papers of an internal auditor, compliance with the standards and guidance in Auditing Standard ~~(AUSASA 604610)~~ *Considering the Work of Internal Audit*, ~~is required, including. This includes an~~ ~~acknowledgement~~acknowledging that an understanding of the audit client's internal control structure and subsequent assessment of audit risk, ~~based-gained from~~ ~~on~~ ~~the~~ ~~review~~ ~~of~~ the internal auditor's audit working papers, are based ~~solely~~ on the external auditor's professional judgement; ~~;~~ and

□ ~~(c)~~ generally, internal audit working papers ~~prepared under an~~ ~~outsourced arrangement~~ will not be released for consideration by ~~another accounting~~ ~~the~~ ~~outsourced~~ firm under such an outsourcing arrangement until after each final internal audit report has been tabled with the Audit Committee (or equivalent governing body).

~~36~~ ~~Example Letter D in the Appendix to this AGS may be used by the internal auditor when responding to a request from an external auditor seeking access to the internal audit working papers for the purpose of obtaining an understanding of internal auditing activities~~

~~that are relevant to the audit of the financial report under such an outsourcing arrangement.~~

Granting Access to Audit Working Papers by Regulatory Authorities

- ~~3842~~ 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 manner; or
 - (b) as required by regulatory authorities such as ASIC, APRA and the ATO, under relevant legislative provisions.
- ~~3943~~ Regulatory 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; or
 - (b) compliance-related surveillance activities concerning legislative obligations of entities or monitoring of industry-wide issues.
- ~~4044~~ 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.
- ~~4145~~ When a ~~regulatory authority~~ 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 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.
- ~~4246~~ ~~W~~When regulatory authorities, pursuant to their regulatory powers, seek access to audit working papers, auditors would normally, subject to legal advice and internal firm requirements, undertake the following procedures:

- (a) ~~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, except where a court order prohibits such disclosure;~~ except where a court order prohibits such disclosure, 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) ~~notify~~ notify ~~obtain~~ consult their ~~their~~ legal counsel; and
- (c) ~~and~~ where appropriate and ~~appropriate and~~ perhaps in consultation with, inform the ~~officer~~ 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 ~~1926~~ 1926); and
- (d) ~~the auditor maintains~~ 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 ~~the such~~ regulatory request; and
- (e) ~~ensures the regulator~~ regulator provides a written receipt for ~~the all~~ audit working papers ~~produced~~ accessed.

Reviewing the Audit Working Papers of an Outgoing Predecessor Auditor

47 A recently appointed auditor (successor auditor) of an reporting 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 reporting entity in the year of appointment pursuant to the provisions of the Corporations Act 2001 (or other relevant legislation). The financial report on which the recently appointed successor auditor reports is affected by the account balances brought carried forward from the previous reporting period on which the outgoing predecessor auditor issued an audit report. Consequently, the new successor auditor will need to form a view about whether the opening balances for the year are fairly stated in accordance with Auditing Standard (AUS-ASA 510) Initial Engagements—Opening Balances, ~~accordingly, it~~ It is for this purpose access to the outgoing predecessor auditor's audit working papers may be sought. The audit 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.

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Appropriate Procedures

4448 Where the ~~outgoing predecessor~~ auditor agrees to provide the ~~recently appointed 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 ~~the~~ Appendix ~~1 to this AGS illustrates sets out~~ the matters ~~usually ordinarily~~ addressed, though amendments may be required to reflect ~~the~~ ~~particular~~ circumstances ~~specific to the engagement~~. ~~The audit client's consent prior to allow granting access is considered essential in these circumstances and Example and Example Letter C in the Appendix 1 to this AGS illustrates sets out the matters that are usually ordinarily addressed.~~

Conformity with International Pronouncements

4549 There is no equivalent ~~International Standard on Auditing or~~ International Auditing Practice Statement (~~IAPS~~) to this Guidance Statement.

APPENDIX 1

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

AUDITOR'S CONSENT FOR REVIEW OF AUDIT WORKING PAPERS BY ANOTHER AUDITOR

The following example letter can be ~~used~~ tailored to specific ~~where~~ 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 ~~the an~~ audit or review of a financial report prepared under the Corporations Act 2001, ~~it can be tailored to the specific client circumstances. Whilst the example letter makes reference to the Corporations Act 2001, in modified form, it may can also be tailored for also be used 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

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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.

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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 ~~(AUS 602)~~ASA 600 *Using the Work of Another Auditor*, you have sole responsibility for the opinion expressed on the consolidated financial report of **[controlled- controlling 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~~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 ~~AUS 602~~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 TO PROVIDE FOR ACCESS TO
AUDIT WORKING PAPERS TO BY AN
ADVISER/FIRM IN CONNECTION WITH A
TRANSACTION**

**LETTER TO REVIEWING FIRM/ADVISORS
CLARIFYING THE TERMS ON WHICH
ACCESS TO AUDIT WORKING PAPERS WILL
BE PROVIDED**

The following ~~illustrative 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.

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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

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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 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~~ 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 ~~to your 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.¹⁰
12. You agree to release and forever discharge **[name of audit firm]**, its partners, officers and employees from, and not assert against us, any

¹⁰ ~~You should be aware that w~~When agreeing to provide the indemnity contained in Clause 11 of this letter, you should also consider, unless prohibited by law or regulation, obtaining# ~~may also be prudent for you to consider whether to obtain~~ a similar indemnity from the client.

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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]**

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~~ Reviewing firm/~~firm~~ Firm/~~advisers~~ Advisers]

Appendix 1

**EXAMPLE LETTER B2: AUDITOR'S TERMS
AND CONSENT TO PROVIDE ACCESS FOR
ACCESS TO AUDIT WORKING PAPERS
LETTER TO BY A PROSPECTIVE
PURCHASER, INVESTOR OR LENDER
CLARIFYING THE TERMS ON WHICH
ACCESS TO AUDIT WORKING PAPERS WILL
BE PROVIDED IN CONNECTION WITH A
TRANSACTION**¹¹

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

Auditor's Letterhead

[Date]

[Prospective purchaser/investor/lender]

[Address]

~~Advisor~~ Advisor
(Address)

Dear [Insert addressee(s)]

¹¹ When it is contemplated that access to the auditor's Audit Working Papers will be given to an party individual, firm or organisation, other than a professional assurance services (audit) firm, there is a 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.

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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”).

[**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.

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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 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

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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, 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~~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]**.

Guidance Statement GS XXX *Access to Audit Working Papers*

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

Date

Draft

Appendix 1

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

The following *illustrative 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, ~~or~~ 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; ~~and/or~~
- (d) a ~~newly appointed auditor~~ *successor auditor*, when seeking to access the audit working papers of the ~~outgoing 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]**¹² for the year ended **[date]** (the "Audit Working Papers") to **[See Insert 2]**¹³ in connection with **[Insert description of purpose e.g. external**

¹² **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.

¹³ **Insert 2** – Insert here either:

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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: (a) <u> </u> external auditor of the controlling entity, attach Letter A (b) <u> </u> external auditor in relation to the internal audit working papers for the internal audit, attach Letter D. (c) <u> </u> 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	If for the release of audit working papers in relation to a Transaction attach Letter B1.

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’/adviser/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 ~~(AUSSA 604610)~~ *Considering the Work of Internal Auditing*, or
4. **‘name of newly appointed external successor auditor’**—when the request is for access to the audit working papers of the ~~outgoing predecessor~~ auditor by the ~~newly successor appointed~~ 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.

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<p>letter.’ <u>‘[prospective purchaser, investor or 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.’</u></p>	<p><u>If for the release of audit working papers in relation to a Transaction attach Letter B2.</u></p>
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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]**.¹⁴

Yours sincerely

[Signature of Partner]
 [Auditor's Firm]

We consent to the Audit Working Papers and any Additional Information being made available to **[Insert 2]** and to provide any Additional Information

¹⁴ 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]].

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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 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]

Date

Draft

Appendix 1

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

**ACCESS TO INTERNAL AUDIT WORKING
PAPERS BY EXTERNAL AUDITOR**

The following ~~illustrative example~~ letter can be used where the internal auditor has received a request from the entity's external auditor of an entity is seeking to access to their internal audit working papers which belonging 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]¹⁵ for the year ended [date] (the "Internal Audit Working Papers"), under Auditing Standard ~~(AUS 604)~~ ASA 610 *Considering the Work of Internal Audit*, in connection with your ~~statutory~~ 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").

¹⁵ Where not an internal audit, refer to other type of engagement, as the case may be.

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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]**.
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 internal audit of **[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

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absolute discretion and may be subject to conditions.

9. In accordance with AUS 604 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 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 AUS 604ASA 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:
~~OUTGOING PREDECESSOR~~ AUDITOR'S
~~TERMS AND CONSENT TO PROVIDE~~ ALLOW
~~ACCESS TO FOR REVIEW OF~~ AUDIT
WORKING PAPERS ~~BY NEWLY~~ BY THE
~~APPOINTED 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

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[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~~ 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 ~~(AUS-ASA 510) Initial Engagement –Opening balances~~, Auditing Standard ~~(AUS-ASA 704/710) Comparatives~~ and Auditing Standard ~~(AUS-ASA 602/600) 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~~ 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.

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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.

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

Yours faithfully

[Signature of Partner]
| [~~Former Predecessor~~ auditor]

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

[Signature of Partner]
| [~~Newly appointed~~ Successor auditor of entity]

Date