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| **Client:** | **${client}** | |
| **Period end date:** | **${start} - ${end}** | |
| **EGA title:** | \*Group Audit and Use of Work of Component Auditors | |
| **Ref. no.:** |  | |
| **Prepared by:** | ${user} | **Date:** |
| **Approved by Manager:** | ${manager} | **Date:** |
| **Approved by Partner:** | ${partner} | **Date:** |

**Procedures performed:**

Client Acceptance/Continuance

1. The group engagement partner determined whether sufficient appropriate audit evidence can reasonably be expected to be obtained in relation to the consolidation process and the financial information of the components on which to base the group audit opinion. For this purpose, the group engagement team obtained an understanding of the group, its components, and their environments in order to identify components that are likely to be significant components. Where component auditors performed work on the financial information of such components, the group engagement partner evaluated whether the group engagement team will be able to be involved in the work of those component auditors to the extent necessary to obtain sufficient appropriate audit evidence.

Terms or Engagement

1. The group engagement partner agreed on the terms of the group audit engagement.

Planning Process

1. The group engagement partner acknowledged his responsibility for the direction, supervision and performance of the group audit engagement in compliance with professional standards and applicable legal and regulatory requirements; and for enabling an auditor’s report that is appropriate in the circumstances to be issued.
2. The group engagement team established an overall group audit strategy and developed a group audit plan.
3. The group engagement partner reviewed overall group audit strategy and group audit plan**.**

Understanding the Group, Its Components, and Their Environments

1. The group engagement team performed the following in order to provide a basis for identifying and assessing the risks of material misstatement of the group financial statements whether due to fraud or error as well as to confirm or revise its initial identification of components that are likely to be significant:
2. Enhanced its understanding of the group, its components, and their environments, including group-wide controls, obtained during the acceptance or continuance stage; and
3. Obtained an understanding of the consolidation process, including the instructions issued by group management to components.

Understanding the Component Auditor

1. If the group engagement team planned to request a component auditor to perform work on the financial information of a component, the group engagement team obtained understanding of the following:
2. The component auditor’s compliance with the ethical requirements that are relevant to the group audit and, in particular, independence.
3. The component auditor’s professional competence.
4. Whether the group engagement team will be able to be involved in the work of the component auditor to the extent necessary to obtain sufficient appropriate audit evidence.
5. Whether the component auditor operates in a regulatory environment that actively oversees auditors.
6. If a component auditor did not meet the independence requirements that are relevant to the group audit or the group engagement team had serious concerns as to the aforementioned matters, the group engagement team obtained sufficient appropriate audit evidence relating to the financial information of the component without requesting that component auditor to perform work on the financial information of that component.

Materiality

1. The group engagement team determined the following:
2. Materiality for the group financial statements as a whole when establishing the overall group audit strategy.
3. If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures in group financial statements.
4. Component materiality for those components where component auditors performed an audit or a review for purposes of the group audit (lower than materiality for group financial statements as whole).
5. The threshold above which misstatements cannot be regarded as clearly trivial to the group financial statements.
6. The group engagement team evaluated the appropriateness of performance materiality determined at the component level where component auditors performed an audit for purposes of the group audit.
7. If the group engagement team decided to use component’s audit that was subject to statute, regulation or other reason, to provide audit evidence for the group audit, the group engagement team evaluated the appropriateness of materiality for the component financial statements as a whole and performance materiality at the component level.

Responses to Assessed Risk

1. The group engagement team designed and performed appropriate responses to the assessed risks of material misstatement of the financial statements. The group engagement team determined the type of work to be performed by the group engagement team, or the component auditors on its behalf, on the financial information of the components. The group engagement team also determined the nature, timing and extent of its involvement in the work of the component auditors.
2. The group engagement team determined the type of work to be performed by the group engagement team, or the component auditors on its behalf, on the financial information of the components in accordance with the following table:

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| **Significant components** | | | **Non-significant components** |
| For a component that is significant due to its individual financial significance to the group, the group engagement team, or a component auditor on its behalf shall perform an audit of the financial information of the component using component materiality. | For a component that is significant because it is likely to include significant risks of material misstatement of the group financial statements due to its specific nature or circumstances, the group engagement team, or a component auditor on its behalf, shall perform one or more of the following:   * An audit of the financial information of the component using component materiality. * An audit of one or more account balances, classes of transactions or disclosures relating to the likely significant risks of material misstatement of the group financial statements. * Specified audit procedures relating to the likely significant risks of material misstatement of the group financial statements. | For non-significant components, the group engagement team shall perform analytical procedures at group level. | |
| If the group engagement team does not consider that sufficient appropriate audit evidence on which to base the group audit opinion will be obtained from the above, then for further selected components, the group engagement team, or component auditor on its behalf, shall perform one or more of the following:   * An audit of the financial information of the component using component materiality. * An audit of one or more account balances, classes of transactions or disclosures. * A review of the financial information of the component using component materiality. * Specified procedures. | | | |

1. The group engagement team also determined the nature, timing and extent of its involvement in the work of the component auditors in accordance with the following:
   1. The group engagement team shall be involved in the component auditor’s risk assessment where a component auditor performed an audit of the financial information of a significant component, to identify significant risks of material misstatement of the group financial statements.
   2. The nature, timing and extent of this involvement as affected by the group engagement team’s understanding of the component auditor shall include the following:
      1. Discussing with the component auditor or component management those of the component’s business activities that are significant to the group;
      2. Discussing with the component auditor the susceptibility of the component to material misstatement of the financial information due to fraud or error; and
      3. Reviewing the component auditor’s documentation of identified significant risks of material misstatement of the group financial statements. Such documentation may take the form of a memorandum that reflects the component auditor’s conclusion with regard to the identified significant risks.
2. If significant risks of material misstatement of the group financial statements were identified in a component on which a component auditor performed the work, the group engagement team shall evaluate the appropriateness of the further audit procedures to be performed to respond to the identified significant risks of material misstatement of the group financial statements. Based on its understanding of the component auditor, the group engagement team shall determine whether to be involved in the further audit procedures.
3. The group engagement team recognized that it shall evaluate the sufficiency and appropriateness of audit evidence throughout the audit to determine any additional procedures to be performed, including on the consolidation process.

Consolidation Process

1. The group engagement team designed and performed further audit procedures on the consolidation process to respond to the assessed risks of material misstatement of the group financial statements arising from the consolidation process, including evaluating whether all components have been included in the group financial statements. The group engagement team’s understanding of understanding of group-wide controls and the consolidation process, including the instructions issued by group management to components provided a basis for the selection of such further audit procedures.
2. The group engagement team, or component auditor at the request of the group engagement team, tested the operating effectiveness of group-wide controls where necessary.
3. The group engagement team evaluated the appropriateness, completeness, and accuracy of consolidation adjustments (including effect of any accounting policy differences, effect of financial reporting period-end differences) and of reclassifications and whether any fraud risk factors or indicators of possible management bias exist.

Subsequent Events

1. Where the group engagement team, or component auditors on its behalf, performed audits on the financial information of components, the group engagement team or the component auditors performed procedures designed to identify subsequent events at those components requiring adjustment to or disclosure in the group financial statements.
2. Where component auditors performed work other than audits of the financial information of components, the group engagement team requested the component auditors to notify the group engagement team if they became aware of subsequent events requiring an adjustment to or disclosure in the group financial statements.

Communication with Component Auditor

1. The group engagement team communicated its requirements to the component auditor on a timely basis. This communication set out the work to be performed, the use to be made of that work, and the form and content of the component auditor’s communication with the group engagement team. It also included the following:
2. Request for confirmation that the component auditor will cooperate with the group engagement team;
3. Relevant ethical and independence requirements;
4. Component materiality and other related matters;
5. Identified significant risks of material misstatement of the group financial statements, due to fraud or error, and that are relevant to the work of the component auditor and request for timely communication of other identified significant risks and responses to such risks; and
6. A list of related parties prepared by group management, and request for timely communication of related parties not previously identified by group management or the group engagement team.
7. The group engagement team requested the component auditor to communicate matters relevant to the group engagement team’s conclusion with regard to the group audit for example:
8. Compliance by component auditor with ethical requirements including independence and professional competence;
9. Compliance by component auditor with the group engagement team’s requirements;
10. What financial information of the component is being reported upon;
11. Instances of non-compliance with laws or regulations;
12. A list of uncorrected misstatements;
13. Any identified significant deficiencies in internal control at the component level;
14. Information on instances of non-compliance with laws or regulations that could give rise to a material misstatement of the group financial statements;
15. Indicators of possible management bias;
16. Other significant matters that the component auditor communicated or expects to communicate to those charged with governance of the component, including fraud or suspected fraud;
17. Any other matters that may be relevant to the group audit, including exceptions noted in the written representations that the component auditor requested from component management; and
18. The component auditor’s overall findings, conclusions, or opinion.

Communication with Group Management and Those Charged with Governance of the Group

1. The group engagement team communicated with group management and those charged with governance of the group, as appropriate, an overview of the planned scope and timing of the group audit, including communicating about any significant internal control deficiencies and significant risks identified as well as any significant findings from the audit.

Audit Conclusions and Reporting

1. The group engagement partner evaluated the effect on the group audit opinion of any uncorrected misstatements (either identified by the group engagement team or communicated by component auditors) and any instances where there has been an inability to obtain sufficient appropriate audit evidence, as well as the effect of any other relevant matters.
2. The group engagement partner recognized that the auditor’s report on the group financial statements shall not refer to a component auditor, unless required by law or regulation to include such reference. If such reference is required by law or regulation, the auditor’s report shall indicate that the reference does not diminish the group auditor’s responsibility for the group audit opinion.

Documentation

1. In addition to documenting matters related to other EGAs, the group engagement team documented the following matters:
2. An analysis of components, indicating those that are significant, and the type of work performed on the financial information of the components.
3. The nature, timing and extent of the group engagement team’s involvement in the work performed by the component auditors on significant components including, where applicable, the group engagement team’s review of relevant parts of the component auditors’ audit documentation and conclusions thereon.
4. Written communications between the group engagement team and the component auditors about the group engagement team’s requirements.
5. The results of all the above procedures performed are documented in:

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| **Link** | **Ref. no.** |
| [**Considerations Relating to Group Audit and Use of Work of Component Auditors.docx**](../../../../../G:/My%20Drive/MZCO/Audit%20Manual/1.%20Planning/21%20Group%20Audit%20and%20Use%20of%20Work%20of%20Component%20Auditors/Considerations%20Relating%20to%20Group%20Audit%20and%20Use%20of%20Work%20of%20Component%20Auditors.docx) |  |