



AUASB Board Meeting Summary Paper

AGENDA ITEM NO.

5

Meeting Date:

29 July 2013

Subject:

Revision of ASA 610 *Using the Work of Internal Auditors* and Consequential Amendments to ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* and other Australian Auditing Standards

Date Prepared:

15 July 2013

Action Required

For Information Purposes Only

Agenda Item Objectives

The objectives of this agenda item are:

1. To inform the AUASB of the outcome of deliberations by the APESB and ASIC on matters relevant to the revision of ASA 610; and
2. To obtain the AUASB's approval to issue the following exposure drafts:
 - (a) ED xx/13 Proposed Auditing Standard ASA 610 (Revised) *Using the Work of Internal Auditors*; and
 - (b) ED xx/13 Proposed Auditing Standard ASA 2013-2 *Amendments to Australian Auditing Standards*

Background

IAASB

The IAASB has completed its revision of ISA 610 *Using the Work of Internal Auditors*. The revision principally addresses how the external auditor interacts with the internal audit function (when there is one), including both using the work of the internal audit function and using internal auditors to provide direct assistance on an external audit engagement. The revised standard is operative for periods ending on or after 15 December 2013, except for the direct assistance provisions, which are operative for periods ending on or after 15 December 2014.

In revising ISA 610, the IAASB decided that a new requirement for the external auditor to make enquiries of appropriate individuals within the internal audit function was more appropriately placed in ISA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*. In addition, the IAASB added guidance in ISA 315 to clarify that, because such enquiries may provide useful information relevant to the external auditor's risk assessments, they should be made even if

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the auditor does not expect to use the work of the internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed.

The revision of ISA 610 and changes to ISA 315 resulted in minor conforming amendments to other Internationals Standards on Auditing (ISAs).

AUASB

The AUASB has previously considered issues relating to the IAASB changes to ISA 610 and, in particular, whether or not using internal auditors to provide direct assistance on an external audit engagement should be permitted or prohibited in audits conducted in accordance with the Australian Auditing Standards. At the AUASB meeting on 17 June 2013 a majority of AUASB members expressed indicative support for banning direct assistance. At the same time, the AUASB agreed that finalisation of the exposure drafts of ASA 610 and consequential changes to other standards should be deferred until the 29 July 2013 meeting, by which time the views of the APESB and ASIC should be known and whether these impact the AUASB's approach to revising ASA 610.

Matters to Consider

Matters to consider are detailed in the attachment to this Board Meeting Summary Paper.

AUASB Technical Group Recommendations

It is recommended that the AUASB approve the following exposure drafts for release, subject to the usual quality assurance and other finalisation processes:

- (a) ED xx/13 Proposed Auditing Standard ASA 610 (Revised) *Using the Work of Internal Auditors*; and
- (b) ED xx/13 Proposed Auditing Standard ASA 2013-2 *Amendments to Australian Auditing Standards*

Note that, in approving the exposure drafts, the AUASB will be approving the proposed due date for comments (i.e. 30 September 2013) and the proposed operative date for the revised and amended standards (i.e. operative for financial reporting periods commencing on or after 1 January 2014).

Material Presented

Agenda Item 5	AUASB Board Meeting Summary Paper
Agenda Item 5.1	Attachment to AUASB Board Meeting Summary Paper [Confidential]
Agenda Item 5.2	Draft ED ASA 610 (Revised) <i>Using the Work of Internal Auditors</i> (Clean Version)
Agenda Item 5.3	Draft ED ASA 610 (Revised) <i>Using the Work of Internal Auditors</i> (Marked Up Version) (marked from last AUASB meeting)
Agenda Item 5.4	Draft ED ASA 2013-2 <i>Amendments to Australian Auditing Standards</i> (Clean Version only)
Agenda Item 5.5	European Audit Regulators Comment Letter
Agenda Item 5.6	Letter from the APESB dated 27 June 2013 [Confidential]
Agenda Item 5.7	Letter from ASIC dated 9 July 2013 [Confidential]
Agenda Item 5.8	Mapping document – ASA 610 [Aus] Appendix 1 and ISA 610 (Revised 2013)
Agenda Item 5.9	Revised ASA 610 [Aus] Appendix 1

- Agenda Item 5.10 ISA 610 (UK and Ireland) 610 *Using the Work of Internal Auditors* [electronic only]
- Agenda Item 5.11 ISA 610 (Revised 2013) *Using the Work of Internal Auditors* [electronic only]
- Agenda Item 5.12 ISA 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* [electronic only]

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve ED (ASA 610)	AUASB approval	AUASB	29 July 2013	
2.	Approve ED (ASA 2013-2)	AUASB approval	AUASB	29 July 2013	