



Board Meeting Summary Paper

Subject: Exposure Draft - ISA 610 *Using the Work of Internal Auditors*
Date: 2 September 2010

AUASB AGENDA ITEM NO. 10(a)(vi)
Meeting Date: 13 September 2010

Action Required

For Information Purposes Only

Agenda Item Objective

To inform the Board of the significant details relating to the Exposure Draft on ISA 610 *Using the Work of Internal Auditors*.

Background

The IAASB recently issued a single Exposure Draft on the revised ISA 610, together with ISA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*.

The extant ISA 610 was redrafted as part of the IAASB Clarity Project. It was last revised in March 1994. The proposed operative date for the revised ISA 610 is for audits of financial statements for periods ending on or after 15 December 2013.

The comment period for the Exposure Draft ends on 15 November 2010.

See Agenda Item 10(a)(v).1 for a copy of the Exposure Draft.

Matters to Consider

The key changes made in the proposed revised ISA 610 relate to the following:

- (a) Strengthened framework for determining:
 - (i) whether the work of the internal auditor can be used by the external auditor;
 - depends on the internal auditor's objectivity, competence and use of a systematic and disciplined approach
 - and

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- (ii) the extent of use by the external auditor of the internal auditor's work.
 - consideration of the internal auditor's objectivity, competence and the amount of judgement needed to perform relevant audit procedures and obtain audit evidence

(b) Obtaining direct assistance from the internal auditor.

The external auditor is allowed to obtain direct assistance from the internal auditor, subject to the following restrictions:

- (i) the internal auditor is objective and competent, based on the evaluation of the external auditor;
- (ii) the work to be performed does not require significant judgements; and
- (iii) the external auditor directs, supervises and reviews the work of the internal auditor in accordance with ISA 220 *Quality Control for an Audit of Financial Statements* (with the recognition that the internal auditor is not independent).

AUASB Technical Group recommendation

The AUASB Technical Group recommends that the AUASB's submission to the IAASB be supportive of the proposed Exposure Draft changes.

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