



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **5**
Meeting Date: 29 April 2013
Subject: ASA 610 (Revised) and ASA 2013-2 Amending Standard
Date Prepared: 22 April 2013

Action Required

For Information Purposes Only

Agenda Item Objectives

To:

1. Consider matters related to the revision of ASA 610 *Using the Work of Internal Auditors*;
2. Consider and approve 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

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 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 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.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

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

Ethical Considerations

In order to address concerns about the actual and perceived independence of the external auditor when internal auditors provide direct assistance, the International Ethics Standards Board for Accountants (IESBA) amended the definition of 'engagement team' in the *Code of Ethics for Professional Accountants* (the International Code).

The Accounting Professional & Ethical Standards Board (APESB) is considering the implications of the IESBA's changes to the International Code for the Australian *Code of Ethics for Professional Accountants* (the Code).

AUASB Approach

In accordance with its Principles of Convergence, the AUASB is revising ASA 610 and making related changes to the Australian Auditing Standards, including ASA 315 and other standards.

At its meeting on 25 February 2013, after considerable discussion, the AUASB formed the view that the IAASB's amendments to ISA 610 to allow direct assistance by internal auditors on external audit engagements are inappropriate in the context of independent external audits undertaken in Australia. Accordingly, the AUASB agreed, by majority vote, to not adopt the IAASB's direct assistance provisions in the recently issued ISA 610, but to incorporate the remaining revisions in ASA 610 (Revised).

Matters to Consider

Matters to consider are detailed in Agenda Item 5.1.

Action Requested

The AUASB is requested to:

1. Consider the matters presented Agenda Item 5.1.
2. Consider and approve the following exposure drafts for issue, subject to final QA 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*.

Material Presented

Agenda Item 5	AUASB Board Meeting Summary Paper
Agenda Item 5.1	Attachment to Board Meeting Summary Paper - ASA 610 (Revised) – Matters to Consider
Agenda Item 5.2	Draft ED xx/13 Proposed Auditing Standard ASA 610 (Revised) <i>Using the Work of Internal Auditors</i> (Marked Up Version)

Agenda Item 5.3	Draft ED xx/13 Proposed Auditing Standard ASA 610 (Revised) <i>Using the Work of Internal Auditors</i> (Clean Version)
Agenda Item 5.4	Draft ED xx/13 Proposed Auditing Standard ASA 2013-2 <i>Amendments to Australian Auditing Standards</i> (Clean Version)
Agenda Item 5.5	Existing ASA 315 (Marked Up Version) – for information [electronic version only]
Agenda Item 5.6	Existing ASA 610 (Clean Version) – for information [electronic version only]
Agenda Item 5.7	ISA 610 (Revised 2013) – for information [electronic version only]

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1	Consider matters in Agenda Item 5.1 and respond to Questions	Responses to Questions	AUASB	29 April	O/S
2(a)	Consider and approve ED xx/13 ASA 610 (Revised)	Approved ED	AUASB	29 April	O/S
2(b)	Consider and approve ED xx/13 ASA 2013-2	Approved ED	AUASB	29 April	O/S