



# AUASB Board Meeting Summary Paper

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**AGENDA ITEM NO.**            **8**

**Meeting Date:**                24 February 2015

**Subject:**                        AUASB Bulletin: Internal Audit – Impact of Direct Assistance Prohibition on Group Audits

**Date Prepared:**                3 February 2015

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**Action Required**

**For Information Purposes Only**

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## Agenda Item Objectives

To approve the draft AUASB Bulletin: *Internal Audit – Impact of Direct Assistance Prohibition on Group Audits*.

## Background

The AUASB has recently revised Auditing Standard ASA 610 *Using the Work of Internal Auditors*. The revised standard reflects recent developments in the internal auditing environment and provides a more robust framework for the evaluation and, where appropriate, use of the work of the internal audit function by the independent external auditor. The revised standard also prohibits the use of internal auditors to provide direct assistance in an independent audit or review conducted in accordance with the Australian Auditing Standards.

For a group audit, this prohibition extends to the use of internal auditors to provide direct assistance in an audit or review of a component, including an overseas component, conducted in accordance with the Australian Auditing Standards.

One of the areas of difficulty impacting auditors since the revision of ASA 610 is around the issues that auditors need to consider when relying on internal auditors in jurisdictions where there is no prohibition on the use of direct assistance, such as in the United States (US).

A draft Bulletin was presented to the AUASB at the 24 November 2014 meeting. Several amendments requested at that meeting have processed in the amended bulletin as attached. In addition, the AUASB expressed particular concern in relation to service organisations and the impact that the prohibition may be having on the use of reports from service organisation auditors. The AUASB Technical Group was requested to contact the FRC in the UK to further understand whether UK audit firms are experiencing difficulties in relation to the impact that the prohibition may be having in relation to service organisations and whether the FRC has issued any guidance in this area.

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The UK FRC confirmed to the AUASB Technical Group that they are unaware of any issues being raised in relation to this matter. The question of the impact of the prohibition in relation to service organisations did come up in the FRC’s 2013 consultation on the prohibition of direct assistance by internal audit and the FRC’s response to the concern raised was similar to what the AUASB Technical Group have presented in the bulletin attached. For reference we have attached a copy of our email correspondence with the UK FRC.

**Matters to Consider**

***Part A – General***

- 1. Refer Draft AUASB Bulletin.

***Part B – NZAuASB***

- 1. N/A

***Part C – “Compelling Reasons” Assessment***

- 1. N/A

The proposed changes conform with IAASB modification guidelines for NSS? Y  N

**AUASB Technical Group Recommendations**

Approve the draft Bulletin.

**Material Presented**

- Agenda Item 8 AUASB Board Meeting Summary Paper
- Agenda Item 8.1 Draft AUASB Bulletin [confidential draft]

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**Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve Bulletin	Approval	AUASB	24 February 2015	

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