

30 September 2013

The Chairman  
Auditing and Assurance Standards Board  
PO Box 204  
Collins Street West  
Melbourne Victoria 8007

Via email: [edcomments@auasb.gov.au](mailto:edcomments@auasb.gov.au)

Dear Ms Kelsall,

### **ED 02/13 Proposed Auditing Standard ASA 610 (Revised) Using the Work of Internal Auditors**

Thank you for the opportunity to comment on the exposure draft on the proposed amendments to ASA 610 *Using the Work of Internal Auditors*. CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) have considered the exposure draft. We have not provided specific responses to the questions in the exposure draft but rather provide our overall comments below.

CPA Australia and the Institute represent over 200,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

We are supportive of the proposed Auditing Standard which represents a comprehensive revision of the extant standard ASA 610 *Using the Work of Internal Auditors* (issued 2009). We agree with the proposals to reflect recent developments in the internal auditing environment and to provide a more robust framework for the evaluation and, where appropriate, use of the work of the internal audit function.

We note that the International Standard on Auditing ISA 610 (revised 2013) *Using the Work of Internal Auditors* (ISA 610) includes a provision for allowing internal auditors to perform audit procedures under the direct supervision of the external auditor, if not prohibited by local law or regulation (direct assistance). To accommodate this provision, the International Ethics Standards Board for Accountants (IESBA) has changed the definition of engagement team in the *Code of Ethics for Professional Accountants*. Individuals within the client's internal audit function who provide direct assistance on an audit engagement when the external auditor complies with the requirements of ISA 610, are now excluded from the definition of engagement team.

AUASB's ED 02/13 in contrast is proposing to prohibit the provision of direct assistance by internal auditors (paragraph Aus 1.2). An exposure draft of proposed revisions to APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional Ethical Standards Board (APESB), that is currently open for consultation, sets out the view that internal auditors who provide direct assistance should be included in the definition of the engagement team. If, as proposed, the APESB does not amend the existing definition of engagement team, the proposed approach of the AUASB and APESB are congruent.

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We note the AUASB contention that prohibition of the use of internal auditors to provide direct assistance set out in the ED would not be a departure from the ISAs, as envisaged in paragraph 5 of ISA 610.

We agree that the use of internal auditors to provide direct assistance in an Australian context is not desirable and also understand that currently it is not common practice in Australia. However, we also consider that it is important to take into account the application of Australian standards in the international context.

For example, there may be situations where some financial reporting components of an Australian group's operations are prepared by a service centre in a country which allows direct assistance. If the auditors in that country apply the local auditing standard and use direct assistance under the provisions set out in ISA 610, the Australian auditors will need to assess the implications on the work undertaken by the overseas auditors and the impact on their audit evidence under Australian auditing standards.

We note that paragraphs 26 to 35 of ISA 610 include material that could assist in such situations. This includes obtaining written agreements covering confidentiality and authority to safeguard against interference, the nature and extent of procedures which may be undertaken, and supervision and evaluation requirements.

We believe that it is important that there is guidance to assist auditors address the interaction of the Australian position and applicable standards in other countries. Therefore, if the AUASB determines to remove the paragraphs relating to direct assistance from the Auditing Standard, which provide such guidance, we recommend that the AUASB prepares specific guidance to assist Australian auditors assess the implications in the international context.

The Institute and CPA Australia are committed to assisting where possible in the development and implementation of the highest quality Australian auditing and assurance standards. We hope that the comments provided are of assistance to the AUASB. If you have any questions regarding this submission, please do not hesitate to contact either Liz Stamford (the Institute) at [Liz.Stamford@charteredaccountants.com.au](mailto:Liz.Stamford@charteredaccountants.com.au), or Amir Ghandar (CPA Australia) at [amir.ghandar@cpaaustralia.com.au](mailto:amir.ghandar@cpaaustralia.com.au).

Yours sincerely



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