

30 September 2013

The Chairman
Auditing and Assurance Standards Board
PO Box 204
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MELBOURNE VIC 8007
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Dear Ms Kelsall

Exposure Draft ED 02/13 Proposed Auditing Standard ASA 610 (Revised) *Using the Work of Internal Auditors* and ED 03/13 Proposed Auditing Standard ASA 2013-2 *Amendments to Australian Auditing Standards*

Ernst & Young Australia welcomes the opportunity to offer its views on the two AUASB Exposure Drafts ED 02/13 Proposed Auditing Standard ASA 610 (Revised) *Using the Work of Internal Auditors* and ED 03/13 Proposed Auditing Standard ASA 2013-2 *Amendments to Australian Auditing Standards* ('the Proposed Standards').

We support the reissue of these Proposed Standards and provide our responses to the below specific questions that the AUASB has raised. We do however have a concern with the prohibition of internal auditors to provide direct assistance on an audit or review engagement. We believe it is acceptable for internal auditors to provide direct assistance, albeit subject to appropriate safeguards and only to a very limited extent. Accordingly, we recommend that the relevant sections of ISA 610 (Revised 2013) relating to direct assistance be incorporated into ASA 610 (Revised). Please refer to Section 2 below for more detailed comments on this.

Our responses to the specific questions that the AUASB has raised are outlined in Section 1, and key comments on specific areas of the Proposed Auditing Standards are set out in Section 2 this letter.

1. Responses to the AUASB's Specific Questions

Questions

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any references to relevant laws or regulations that have been omitted?
3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
4. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of this proposed Auditing Standard? If there are significant costs, do these outweigh the benefits to the users of audit services?
5. Are there any other significant public interest matters that constituents wish to raise?
6. Are there any additional consequential amendments to any of the Auditing Standards that should be included in this amending standard?

We believe that all applicable laws and regulations have been appropriately addressed in the Proposed Standards and we are not aware of any omitted references. Furthermore, we are not aware of any laws or regulations that may, or do, prevent or impede the application of the Proposed Standards, or may conflict with the Proposed Standards. In our view, there are no additional significant costs to/ benefits arising from compliance with the requirements of the Proposed Standards and there are no other significant public interest matters to raise. We do not believe there are any consequential amendments to any of the Auditing Standards that should be included in ASA 2013-2.

2. Comments on Specific Areas of the Proposed Standards

2.1 Prohibition of Internal Auditors to provide Direct Assistance

In issuing ISA 610 (Revised 2013) the IAASB has undertaken a rigorous and lengthy consultation process. The final pronouncement of ISA 610 (Revised 2013) incorporates safeguards around the use of internal auditors providing direct assistance on the audit. Those safeguards, amongst other things, mitigate the excessive use of internal auditors and limit the scope of their involvement in the audit to those procedures that do not involve making significant judgments. Furthermore, given that direct assistance work is directed, supervised and reviewed by the external auditor, we believe that such work can be more reliable than separate work obtained from the internal audit function.

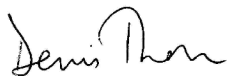
Whilst we recognise that the material on direct assistance in ISA 610 (Revised 2013) does not apply in jurisdictions where direct assistance is prohibited we believe that the safeguards contained within said material will result in the objectivity of the external auditor not being impaired and audit quality not being undermined by internal auditors being used in a direct assistance capacity. Accordingly, we do not see a need to create in effect an Australian specific prohibition to direct assistance and believe that our ASAs should be as consistent as possible with their ISA equivalents. We therefore believe it is acceptable for internal auditors to provide direct assistance in the context of ISA 610 (Revised 2013) and recommend that the relevant sections of ISA 610 (Revised 2013) relating to direct assistance be incorporated into ASA 610 (Revised).

2.2 Definition of the Engagement Team

We observe that the definition of the engagement team contained in the proposed amendments in ASA 2013-2 does not specifically exclude internal auditors from the engagement team, thereby precluding them from providing direct assistance. Parallel to the incorporation of the ISA 610 (Revised 2013) direct assistance material in ASA 610 (Revised) we recommend that the revised engagement team definition in the IESBA Code of Ethics for Professional Accountants be adopted which specifically excludes individuals within the client's internal audit function who provide direct assistance on an audit from the engagement team.

We welcome the opportunity to contribute to the improvement of Auditing Standards that will continue to drive the quality and consistency on such services in Australia. We would be pleased to discuss our comments with members of the Australian Auditing Standards Board and its staff. Should you wish to do so, please contact myself on (03 8650 7637).

Yours sincerely



Denis Thorn
Oceania Professional Practice Director - Assurance
Ernst & Young