



Merran Kelsall
The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
Melbourne VIC 8007

30 September 2013

Dear Ms Kelsall

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

We appreciate the opportunity to comment on the above mentioned Exposure Drafts. We support the revised requirements and additional application and other explanatory material in relation to using the work of the internal audit function. However, we do not support the removal of the paragraphs relating to the use of internal auditors to provide direct assistance that are included in ISA 610 (Revised 2013) for the following reasons:

1. We support consistency between the ASAs and the ISAs unless there is a compelling reason for differences. We do not believe there is a compelling reason in this case, as any restriction on the use of direct assistance that is deemed necessary can be dealt with in the relevant independence requirements included in APES 110 *Code of Ethics for Professional Accountants*.
2. Whether or not it is appropriate to use internal auditors to provide direct assistance is a matter of independence and is best addressed by the Accounting Professional & Ethical Standards Board ("APESB").
3. The extension to group audits of the specific prohibition of the use of internal auditors to provide direct assistance, including the audits of overseas components, gives rise to a number of practical and commercial issues which need to be addressed.

These matters are covered in more detail in our responses to the specific questions included in the Request for Comment in Appendix 1 of this letter. These matters also have an impact on the conforming amendments included in ED 03/13 which are covered in Appendix 2.

We would be pleased to discuss our comments with you. Please contact Avril Trent on (02) 8266 8097 should you require any further information.

Yours sincerely

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Risk & Quality Leader

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Response to the Request for Comments questions – ED 02/13

- 1) Have applicable laws and regulations been appropriately addressed in the proposed standards?**

We believe that applicable laws and regulations have been appropriately addressed.

- 2) Are there any references to relevant laws or regulations that have been omitted?**

N/A

- 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?**

N/A

- 4) What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the requirements of this proposed standard? If there are significant costs, do these outweigh the benefits to the users of audit-related services?**

The express prohibition of the use of internal audit to provide direct assistance, particularly for group audits, gives rise to a number of issues which could add significant additional costs. Issues will arise in the following circumstances:

- Where a group operates a shared service centre in a territory that allows for direct assistance from internal audit, the Australian component auditor would presumably not be permitted to rely on audit work performed on the shared service centre if that audit work included direct assistance from internal audit. This could lead to duplication of work.
- A similar situation would arise where an Australian component auditor needs to report to the group auditor and can/must use direct assistance for group reporting purposes under the group auditor's jurisdiction's auditing standards. If the Australian component auditor also issues a statutory audit opinion under Australian Auditing Standards, additional audit work will need to be performed if the direct assistance from internal audit cannot be relied upon.
- An Australian group auditor will need to prohibit component auditors in other territories from obtaining direct assistance from internal auditors. Where use of internal audit to provide direct assistance is an established practice in those territories, this could lead to significant additional audit costs.

We do not believe that the benefits to the users will outweigh the costs in these scenarios.

- 5) Are there any other significant public interest matters that constituents wish to raise?**

N/A