



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **10**
Meeting Date: 9 September 2014
Subject: ASA 610 *Using the Work of Internal Audit*
Date Prepared: 22 August 2014

Action Required

For Information Purposes Only

Agenda Item Objectives

To present the AUASB with a paper outlining how the prohibition of direct assistance in ASA 610 impacts group audits and costs.

Background

ASA 610 *Using the Work of Internal Auditors* was issued in February 2014.

The use of internal auditors to provide direct assistance is prohibited in any audit that is conducted in accordance with Australian Auditing Standards (i.e. group or single entity audit). The prohibition also explicitly extends to the audit work of any component auditor which is used by the group auditor, and this includes overseas components.

The AUASB Technical Group notes that there may be some practical issues associated with the prohibition, but comment that the key to managing these issues is in appropriate and efficient planning. For example, it would have to be made clear in group audit instructions as early as possible that the audit work the component auditor is required to undertake in response to the risk assessment cannot include internal audit work conducted under a direct assistance agreement. In addition, auditors Australian subsidiaries of overseas groups would have to inform the group auditor of the position and request that elements of central work they may use when forming an opinion on the subsidiary's financial statements is not conducted with direct assistance.

These challenges that auditors in Australia might have to bear additional audit costs and incur additional audit effort was raised in the ASA 610 consultation process but it was concluded that this would only be the case in very rare circumstances as the view of constituents was that direct assistance was not widely used within the Australian context.

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