

# Internal Audit

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## Internal Audit

- Objectives of revising ISA 610:
  - Strengthening the framework under which the external auditor decides whether to use the work of the internal audit function and if so the extent of such use; and
  - Provide guidance to external auditors on the circumstances in which the internal auditor may obtain direct assistance (previously not addressed)

## **Internal Audit – Project Status**

- July 2010 – The IAASB issued draft of revised ISA 315 and 610 for public exposure
- November 2010 – Responses received from 72 organizations and individuals

## Overview of the responses

- Substantial support for proposed requirements and guidance on use of the work of an internal audit function although requirements in certain areas needed strengthening
- Mixed views on the desirability of direct assistance

## Key comments on direct assistance

- Appropriate that direct assistance be addressed in ISA 610
- Some thought direct assistance should not be permitted or permitted in very limited circumstances (primarily 14AR, CESR, IDW)
- Direct assistance should only be permitted in very limited circumstances (primarily IOSCO, AIU&APB, Basel, IRBA, CPAB, FEE, AAA, JICPA, NZICA)

## **Key comments on direct assistance (contd)**

- Inconsistency with the Code (primarily 14AR, ACCA, FEE, ICPAK, IDW, IRBA)

## Key comments on direct assistance

- Reasons for not permitting included:
  - Blurring of roles of external and internal auditors. Perceived independence as well as actual independence may be affected.
  - Inconsistency with the Code which requires members of the engagement team to be independent
  - Could undermine confidentiality regarding results of the audit procedures
  - Risk of over or undue use of internal auditors due to fee pressure

## Key questions for IESBA

- Is direct assistance inconsistent with the Code such that it should be prohibited?
- If permitted should the definition of the engagement team be revised to clarify that the internal auditors are excluded from the definition of the engagement team?