

ISA 610 Direct Assistance – Mapping Document

This mapping document shows how the wording of the original exposure draft (ED) of ISA 610 (Revised) relative to Direct Assistance has evolved into the final wording agreed at the December 2011 IAASB meeting.

(Note: Text relating to Direct Assistance in the ED and in the final wording has been highlighted in yellow and gray, respectively. Additional limited amendments tentatively agreed to by the IAASB at its December 2012 meeting are shown in mark-up.)

Exposure Draft Wording	Final Wording	Comments
Scope of this ISA 1. This International Standard on Auditing (ISA) deals with the external auditor's responsibilities relating to using the work of internal auditors. 3. This ISA also addresses the external auditor's responsibilities when using internal auditors to provide direct assistance under the direction and supervision of the external auditor. ...	Scope of this ISA 1. This International Standard on Auditing (ISA) deals with the external auditor's responsibilities if using the work of internal auditors. This includes (a) using the work of the internal audit function in obtaining audit evidence and (b) using internal auditors to provide direct assistance under the direction, supervision and review of the external auditor.	No substantive change.
	3. If the entity has an internal audit function, the requirements in this ISA relating to using the work of that function do not apply if: (a) The responsibilities and activities of the function are not relevant to the audit; or (b) Based on the auditor's preliminary understanding of the function obtained as a result of procedures performed under ISA 315 (Revised), ¹ the external auditor does not expect to use the work of the function in obtaining audit evidence.	No substantive change but elevated to opening paragraphs to draw greater attention to the fact that the ISAs are not encouraging the use of the work of internal audit.

¹ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

Exposure Draft Wording	Final Wording	Comments
	Nothing in this ISA requires the external auditor to use the work of the internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed directly by the external auditor; it remains a decision of the external auditor in establishing the overall audit strategy.	
3. ... The requirements relating to direct assistance do not apply if the external auditor does not plan to obtain the direct assistance of internal auditors. (Ref: Para. A1)	4. Furthermore, the requirements in this ISA relating to direct assistance do not apply if the external auditor does not plan to use internal auditors to provide direct assistance.	No substantive change but placed in separate paragraph to give it increased visibility.
	5. In some jurisdictions, the external auditor may be prohibited, or restricted to some extent, by law or regulation from using the work of the internal audit function or using internal auditors to provide direct assistance. The ISAs do not override laws or regulations that govern an audit of financial statements. ² Such prohibitions or restrictions will therefore not prevent the external auditor from complying with the ISAs. (Ref: Para. A31)	Paragraph elevated to the opening paragraphs to draw greater attention to the fact that law or regulation may influenced whether and how direct assistance can be used. (See ED paragraph 8)
Relationship between the Internal Auditors and the External Auditor 4. This ISA deals with how the external auditor determines whether to use the work of the internal audit function, and if so, to what extent and the external auditor's evaluation of the adequacy of the work of the internal audit function for purposes of the audit. It also deals with relevant considerations, including the types of procedures needed, when	Relationship between ISA 315 (Revised) and ISA 610 (Revised 2013) 9. In addition, this ISA also addresses the external auditor's responsibilities if considering using internal auditors to provide direct assistance under the direction, supervision and review of the external auditor.	No substantive change.

² ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph A55

Exposure Draft Wording	Final Wording	Comments
<p>contemplating whether to use internal auditors to provide direct assistance.</p> <p>6. External auditors may be able to use such work rather than perform that work themselves in obtaining sufficient appropriate audit evidence on which to base the auditor's opinion. Internal auditors may also provide direct assistance on the engagement by performing audit procedures under the direction and supervision of the external auditor.</p> <p>...</p>		
<p>8. In some jurisdictions, the external auditor may be prohibited, or restricted to some extent, by law or regulation from using the work of the internal audit function, from obtaining direct assistance from internal auditors, or from communicating with the internal audit function to the extent contemplated in this ISA. The ISAs do not override laws or regulations that govern an audit of financial statements.³ However, such prohibitions or restrictions will not prevent the external auditor from complying with the ISAs as this ISA does not require the external auditor to use the work of the internal audit function or to obtain direct assistance from internal auditors.</p>		<p>No substantive change but elevated to opening paragraphs. (See paragraphs 3 and 5 above.)</p>
<p>7. The external auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the external auditor's use of the work of the internal audit function. For this reason, even if</p>	<p>The External Auditor's Responsibility for the Audit</p> <p>11. The external auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the external auditor's use of the work of</p>	<p>Bold text reflects revised tone and focus on establishing framework for judgment regarding use of</p>

³ ISA 200, paragraph A55

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<p>some of the internal audit function's activities appear relevant to the external audit relate to the entity's financial reporting, the external auditor may decide not to use the work of the internal audit function.</p> <p>6. ... However, neither the internal audit function nor the internal auditors are independent of the entity as is required of the external auditor in an audit of financial statements in accordance with ISA 200.</p>	<p>the internal audit function or internal auditors to provide direct assistance on the engagement. Although they may perform audit procedures similar to those performed by the external auditor, neither the internal audit function nor the internal auditors are independent of the entity as is required of the external auditor in an audit of financial statements in accordance with ISA 200.⁴ This ISA, therefore, defines the conditions that are necessary for the external auditor to be able to use the work of internal auditors. It also defines the necessary work effort to obtain sufficient appropriate evidence that the work of the internal audit function, or internal auditors providing direct assistance, is adequate for the purposes of the audit. The requirements are designed to provide a framework for the external auditor's judgments regarding the use of the work of internal auditors to prevent over or undue use of such work.</p>	<p>the work of internal auditors in order to prevent over or undue use of such work.</p>
<p>Objectives</p> <p>12. The objectives of the external auditor, where the entity has an internal audit function and the external auditor expects to use the work of the internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed, are:</p> <p>(a) To determine whether to use the work of the internal audit function, and if so, to what extent; and</p>	<p>Objectives</p> <p>13. The objectives of the external auditor, where the entity has an internal audit function and the external auditor expects to use the work of the function to modify the nature or timing, or reduce the extent, of audit procedures to be performed directly by the external auditor, or to use internal auditors to provide direct assistance, are:</p> <p>(a) To determine whether the work of the</p>	<p>Bold text reflects change in tone to emphasize, firstly, consideration of whether Direct Assistance <i>can</i> be used if the external auditor expects to make use of such assistance; and secondly, the importance of appropriate direction, supervision and</p>

⁴ ISA 200, paragraph 14

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(b) If using the work of the internal audit function or obtaining direct assistance from internal auditors, to determine whether that work is adequate for purposes of the audit.	internal audit function or direct assistance from internal auditors can be used, and if so, in which areas and to what extent; and having made that determination: (b) If using the work of the internal audit function, to determine whether that work is adequate for purposes of the audit; and (c) If using internal auditors to provide direct assistance, to appropriately direct, supervise and review their work.	review if Direct Assistance is used.
–	Definitions Direct assistance – The use of internal auditors to perform audit procedures under the direction, supervision and review of the external auditor.	New.
Requirements Obtaining Direct Assistance from Internal Auditors (Ref: Para. A22-A28) 20. The external auditor may be prohibited by law or regulation from obtaining direct assistance from internal auditors. ...	Requirements Determining Whether, in Which Areas, and to What Extent Internal Auditors Can Be Used to Provide Direct Assistance <i>Determining Whether Internal Auditors Can Be Used to Provide Direct Assistance for Purposes of the Audit</i> 26. The external auditor may be prohibited by law or regulation from obtaining direct assistance from internal auditors. If so, paragraphs 27–354 and 376 do not apply. (Ref: Para. A31)	Bold text is new essential explanatory material introduced in the Requirements section to make it clear that the Direct Assistance provisions do not apply if law or regulation prohibits Direct Assistance. This point is, therefore, made in both the introductory paragraphs to the ISA and in the opening paragraphs of the section on direct assistance.

Exposure Draft Wording	Final Wording	Comments
20. ... However, if the external auditor is permitted, and plans, to use internal auditors to provide direct assistance on the audit engagement, the external auditor shall evaluate the degree of objectivity and level of competence of the internal auditors who will be providing such assistance.	27. If using internal auditors to provide direct assistance is not prohibited by law or regulation, and the external auditor plans to use internal auditors to provide direct assistance on the audit, the external auditor shall evaluate the existence and significance of threats to objectivity and the level of competence of the internal auditors who will be providing such assistance. <u>The external auditor's evaluation of the existence and significance of threats to the internal auditors' objectivity shall include inquiry of the internal auditors regarding interests and relationships that may create a threat to their objectivity.</u> (Ref: Para. A32– A33 A34)	Bold text reflects introduction of threats and safeguards framework to evaluating objectivity of the internal auditors providing direct assistance. Drawing on similar requirements in ISA 620, <i>Using the Work of an Auditor's Expert</i> , introduced via the bold text in mark-up a proactive inquiry of the internal auditors as a basis for identifying and then being able to evaluate any interests and relationships. This would be reinforced by the requirement in para 33 to obtain written agreement from the internal auditors that they will inform the external auditor of any threat to their objectivity.
21. The external auditor shall not obtain the direct assistance of an internal auditor if the internal auditor has: (a) a low degree of objectivity, regardless of the	28. The external auditor shall not use an internal auditor to provide direct assistance if: (a) There are significant threats to the objectivity of the internal auditor; or	Ditto.

Exposure Draft Wording	Final Wording	Comments
<p>internal auditor's level of competence; or</p> <p>(b) a low level of competence, regardless of internal auditor's degree of objectivity.</p>	<p>(b) The internal auditor lacks sufficient competence to perform the proposed work. (Ref: Para. A32–A334)</p>	
<p>22. In determining the work that may be assigned to individual internal auditors and the amount of direction, supervision and review that is appropriate in the circumstances, the external auditor shall consider:</p> <p>(a) The external auditor's evaluation of the degree of objectivity and level of competence of the internal auditors who will be providing such assistance;</p> <p>(b) The nature and scope of work to be performed by the internal auditors; and</p> <p>(c) The amount of judgment involved in:</p> <p>(i) Planning and performing relevant audit procedures for particular classes of transactions, account balances and disclosures; and</p> <p>(ii) Evaluating the audit evidence in support of the relevant assertions. (Ref: Para. A11-A13)</p>	<p><i>Determining the Nature and Extent of Work that Can Be Assigned to Internal Auditors Providing Direct Assistance</i></p> <p>29. In determining the nature and extent of work that may be assigned to internal auditors and the nature, timing and extent of direction, supervision and review that is appropriate in the circumstances, the external auditor shall consider:</p> <p>(a) The amount of judgment involved in:</p> <p>(i) Planning and performing relevant audit procedures; and</p> <p>(ii) Evaluating the audit evidence gathered;</p> <p>(b) The assessed risk of material misstatement; and</p> <p>(c) The external auditor's evaluation of the existence and significance of threats to the objectivity and level of competence of the internal auditors who will be providing such assistance. (Ref: Para. A345–A389)</p>	<p>Ditto.</p> <p>In addition, the need to consider the assessed risk of material misstatement has been introduced.</p> <p>Clarification that consideration needs to be given to the "nature, timing and extent" of direction, supervision and review, rather than just the "amount". See also amendments made to paragraph 33.</p>

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<p>23. The external auditor shall not obtain direct assistance from internal auditors:</p> <p>(a) Whereby the internal auditors make significant judgments in the audit engagement; or</p> <p>(b) To perform procedures to determine whether the work of the internal audit function can be used for purposes of the audit or to provide a sufficient basis to support the external auditor's use of the work of the internal audit function.</p>	<p>30. The external auditor shall not use internal auditors to provide direct assistance to perform procedures that:</p> <p>(a) Involve making significant judgments in the audit; (Ref: Para. A19)</p> <p>(b) Relate to higher assessed risks of material misstatement where the judgment required in performing the relevant audit procedures or evaluating the audit evidence gathered is more than limited; (Ref: Para. A378)</p> <p>(c) Relate to work with which the internal auditors have been involved and which has already been, or will be, reported to management or those charged with governance by the internal audit function; or</p> <p>(d) Relate to decisions the external auditor makes in accordance with this ISA regarding the internal audit function and the use of its work or direct assistance. (Ref: Para. A354–A398)</p>	<p>Bold text represents new requirements that prohibit Direct Assistance with respect to (a) areas of higher assessed risks of material misstatement (which is more restrictive than when using the work of the internal audit function); and (b) work with which the internal auditors have been involved, and which has been or will be reported to management or TCWG (because there would be a self review threat).</p>
<p>=</p>	<p>32. <u>The external auditor shall evaluate whether, in aggregate, using internal auditors to provide direct assistance to the extent planned, together with the planned use of the work of the internal audit function, would still result in the external auditor being sufficiently involved in the audit, given the external auditor's sole responsibility for the audit opinion expressed.</u></p>	<p>Bold text represents the addition of a “stand-back” requirement for the external auditor to evaluate, in aggregate, the extent of use of DA together with the planned use of the work of the internal audit function, thereby mirroring the existing “stand-back” requirement relative to the</p>

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		use of the work of the internal audit function.
–	<p>332. Prior to using internal auditors to provide direct assistance for purposes of the audit, the external auditor shall:</p> <p>(a) Obtain written agreement from an authorized representative of the entity that the internal auditors will be allowed to follow the external auditor's instructions, and that the entity will not intervene in the work the internal auditor performs for the external auditor; and</p> <p>(b) Obtain written agreement from the internal auditors that they will keep confidential specific matters as instructed by the external auditor and inform the external auditor of any threat to their objectivity.</p>	Bold text represents new requirement which introduce strengthened safeguards regarding use of Direct Assistance, again with a focus on the threats and safeguards approach.
<p>24. The external auditor shall direct, supervise and review the work performed by internal auditors on the engagement in accordance with ISA 220.⁵ The level of direction, supervision and review shall recognize that internal auditors are not independent of the entity.</p>	<p>343. The external auditor shall direct, supervise and review the work performed by internal auditors on the engagement in accordance with ISA 220.⁶ In so doing:</p> <p>(a) The nature, timing and extent of direction, supervision, and review shall recognize that the internal auditors are not independent of the entity and be responsive to the outcome of the evaluation of the factors in paragraph 29 of this ISA; and</p> <p>(b) The review procedures shall include the</p>	Bold text represents (a) enhanced requirement to ensure that nature, timing and extent of direction, supervision and review of the internal auditors' work are responsive to the findings of the external auditor's evaluation of the relevant factors regarding the appropriateness of

⁵ ISA 220, *Quality Control for an Audit of Financial Statements*

⁶ ISA 220, *Quality Control for an Audit of Financial Statements*

Exposure Draft Wording	Final Wording	Comments
	<p>external auditor checking back to the underlying audit evidence for some of the work performed by the internal auditors. (Ref: Para. A39–A40)</p> <p><u>The direction, supervision and review by the external auditor of the work performed by the internal auditors shall be sufficient in order for the external auditor to be satisfied that the internal auditors have obtained sufficient appropriate audit evidence to support the conclusions based on that work. (Ref: Para. A40–A41)</u></p>	<p>using the internal auditors for Direct Assistance; and (b) a new requirement which mandates that review procedures include re-performance.</p> <p>The last subparagraph in bold mark-up represents the threshold for determining how much direction, supervision and review by the external auditor is needed. It has been elevated from the application material as it was an essential principle rather than simply application material.</p>
–	<p>345. In directing, supervising and reviewing the work performed by internal auditors, the external auditor shall remain alert for indications that the external auditor's evaluations in paragraph 27 are no longer appropriate.</p>	<p>Bold text represents new requirement directing the external auditor to remain alert for anything that indicates it may no longer be appropriate to continue using the internal auditors for Direct Assistance.</p>
<p>Documentation</p> <p>26. The working papers prepared by the internal auditors who provided direct assistance on the audit engagement shall be included in the audit</p>	<p>Documentation</p> <p>376. If the external auditor uses internal auditors to provide direct assistance on the audit, the external auditor shall include in the audit documentation:</p>	<p>Bold text represents strengthened documentation requirements.</p>

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<p>documentation.</p>	<p>(a) The evaluation of the existence and significance of threats to the objectivity of the internal auditors, and the level of competence of the internal auditors used to provide direct assistance;</p> <p>(b) The basis for the decision regarding the nature and extent of the work performed by the internal auditors;</p> <p>(c) Who reviewed the work performed and the date and extent of that review in accordance with ISA 230;⁷</p> <p>(d) The written agreements obtained from an authorized representative of the entity and the internal auditors under paragraph 323 of this ISA; and</p> <p>(e) The working papers prepared by the internal auditors who provided direct assistance on the audit engagement.</p>	
<p>Application Material</p> <p>Scope of this ISA (Ref: Para. 3)</p> <p>A1. Carrying out procedures in accordance with this ISA may cause the external auditor to re-evaluate the external auditor's assessment of the risks of material misstatement. Consequently, this may affect the external auditor's determination of the relevance of the internal audit function to the audit and whether further application of this ISA is necessary. Similarly, the external auditor may decide not to otherwise use</p>	<p>Application Material</p> <p>–</p>	<p>Already covered by paragraph 4 in final wording.</p>

⁷ ISA 230, *Audit Documentation*

Exposure Draft Wording	Final Wording	Comments
<p>the work of the internal audit function to affect the nature, timing or extent of the external auditor's procedures, or to receive direct assistance from internal auditors. In those circumstances, the external auditor's further application of this ISA is not necessary.</p>		
<p>Note: Paragraphs A11 –A13 are brought in by cross reference from Paragraph A26.</p>	<p>Note: Paragraphs A15 –A22 are brought in by cross reference from Paragraph A34.</p> <p><i>Determining the Nature and Extent of Work of the Internal Audit Function that Can Be Used</i></p> <p>Factors Affecting the Determination of the Nature and Extent of the Work of the Internal Audit Function that Can Be Used (Ref: Para. 17–19)</p> <p>A15. Once the external auditor has determined that the work of the internal audit function can be used for purposes of the audit, a first consideration is whether the planned nature and scope of the work of the internal audit function that has been performed, or is planned to be performed, is relevant to the overall audit strategy and audit plan that the external auditor has established in accordance with ISA 300.</p> <p>A16. Examples of work of the internal audit function that can be used by the external auditor include the following:</p> <ul style="list-style-type: none"> • Testing of the operating effectiveness of controls. • Substantive procedures involving limited judgment. • Observations of inventory counts. • Tracing transactions through the information 	<p>Cross references expanded to ensure all relevant guidance in the section on using the work of the internal audit function also applies to using direct assistance.</p>

Exposure Draft Wording	Final Wording	Comments
	<p>system relevant to financial reporting.</p> <ul style="list-style-type: none"> • Testing of compliance with regulatory requirements. • In some circumstances, audits or reviews of the financial information, of subsidiaries that are not significant components to the group (where this does not conflict with the requirements of ISA 600). <p>A17. The external auditor's determination of the planned nature and extent of use of the work of the internal audit function will be influenced by the external auditor's evaluation of the extent to which the internal audit function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors and the level of competence of the internal audit function in paragraph 18 of this ISA. In addition, the amount of judgment needed in planning, performing and evaluating such work and the assessed risk of material misstatement at the assertion level are inputs to the external auditor's determination. Further, there are circumstances in which the external auditor cannot use the work of the internal auditor function for purpose of the audit as described in paragraph 16 of this ISA.</p>	

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<p><i>Determining the Planned Use of the Work of the Internal Audit Function</i></p> <p>Factors Affecting the Determination of the Planned Use of the Work of the Internal Audit Function (Ref: Para. 15-16)</p> <p>A11. The greater the amount of judgment that is needed to be exercised in planning and performing the audit procedures and evaluating the results thereof, the more likely that the external auditor may need to perform some procedures directly because consideration of the work of the internal audit function alone is unlikely to provide the external auditor with sufficient appropriate audit evidence.</p>	<p>Judgments in planning and performing audit procedures and evaluating results (Ref: Para. 18(a), 30(a))</p> <p>A18. The greater the judgment needed to be exercised in planning and performing the audit procedures and evaluating the audit evidence, the external auditor will need to perform more procedures directly in accordance with paragraph 18 of this ISA, because using the work of the internal audit function alone will not provide the external auditor with sufficient appropriate audit evidence.</p>	<p>No substantive change.</p>
<p>A12. For a particular account balance, class of transaction or disclosure, the higher an assessed risk of material misstatement at the assertion level (in particular for significant risks), the more judgment is often involved in planning and performing the audit procedures and evaluating the results thereof. In such circumstances, it is less likely that the external auditor can make substantial use of the work of the internal audit function in obtaining sufficient appropriate audit evidence.</p>	<p>Assessed risk of material misstatement (Ref: Para. 18(b))</p> <p>A20. For a particular account balance, class of transaction or disclosure, the higher an assessed risk of material misstatement at the assertion level, the more judgment is often involved in planning and performing the audit procedures and evaluating the results thereof. In such circumstances, the external auditor will need to perform more procedures directly in accordance with paragraph 18 of this ISA, and accordingly, make less use of the work of the internal audit function in obtaining sufficient appropriate audit evidence. Furthermore, as explained in ISA 200, the higher the assessed risks of material misstatement, the more persuasive the audit evidence required by the external auditor will need to be, and, therefore, the external auditor will need to perform more of the work directly.</p>	<p>Order of paragraphs changed, but no substantive change to guidance.</p>

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<p>A13. Since the external auditor has sole responsibility for the audit opinion expressed, the external auditor needs to make the significant judgments in the audit engagement in accordance with paragraph 16. Significant judgments include assessments of the risks of material misstatements, sufficiency of tests performed, appropriateness of management's use of the going-concern assumption, evaluation of significant accounting estimates, adequacy of disclosures in the financial statements, and other matters affecting the auditor's report. Furthermore, as explained in ISA 200,⁸ the higher the assessed risks of material misstatement, the more persuasive the audit evidence required by the external auditor will need to be, and, therefore, the more likely it will be that the external auditor will need to perform more of the work directly.</p>	<p>Judgments in planning and performing audit procedures and evaluating results (Ref: Para. 18(a), 30(a))</p> <p>A19. Since the external auditor has sole responsibility for the audit opinion expressed, the external auditor needs to make the significant judgments in the audit engagement in accordance with paragraph 18. Significant judgments include the following:</p> <ul style="list-style-type: none"> • Assessing the risks of material misstatement; • Evaluating the sufficiency of tests performed; • Evaluating the appropriateness of management's use of the going concern assumption; • Evaluating significant accounting estimates; and • Evaluating the adequacy of disclosures in the financial statements, and other matters affecting the auditor's report. 	<p>No substantive change.</p>
	<p>Assessed risk of material misstatement (Ref: Para. 18(b))</p> <p>A20. (See above)</p> <p>A21. As explained in ISA 315 (Revised) significant risks require special audit consideration and therefore the external auditor's ability to use the work of the internal audit function in relation to significant risks will be limited restricted to procedures that involve limited judgment. In addition, where the risks of material misstatement is other than low, the use of</p>	<p>Cross references expanded to ensure all relevant guidance in the section on using the work of the internal audit function also applies to using direct assistance.</p>

⁸ ISA 200, paragraph A29

Exposure Draft Wording	Final Wording	Comments
	<p>the work of the internal audit function alone is unlikely to reduce audit risk to an acceptably low level and eliminate the need for the external auditor to perform some tests of those assertions directly.</p> <p>A22. Carrying out procedures in accordance with this ISA may cause the external auditor to re-evaluate the external auditor's assessment of the risks of material misstatement. Consequently, this may affect the external auditor's determination of whether to use the work of the internal audit function and whether further application of this ISA is necessary</p>	
	<p>Determining Whether, in Which Areas and to What Extent Internal Auditors Can Be Used to Provide Direct Assistance</p> <p><i>Determining Whether Internal Auditors Can Be Used to Provide Direct Assistance for Purposes of the Audit (Ref: Para. 5, 26–28)</i></p> <p>A31. In jurisdictions where the external auditor is prohibited by law or regulation from using internal auditors to provide direct assistance, it is relevant for the group auditors to consider whether the prohibition also extends to component auditors and, if so, to address this in the communication to the component auditors.⁹</p>	<p>Bold text represents enhanced guidance in a group audit context.</p>

⁹ ISA 600, paragraph 40(b)

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<p>Obtaining Direct Assistance from Internal Auditors (Ref: Para. 20-24)</p> <p>A22. It may be possible in some circumstances for the external auditor to obtain direct assistance from the internal auditors in carrying out audit procedures. In such circumstances, external auditors use internal auditors, under the direction, supervision and review of the external audit team, to perform audit procedures directly on the engagement which otherwise would be performed by the external auditors themselves.</p>	<p>Definition of Internal Audit Function (Ref: Para. 2, 14(a))</p> <p>A4. While the objectives of an entity's internal audit function and the external auditor differ, the function may perform audit procedures similar to those performed by the external auditor in an audit of financial statements. If so, the external auditor may make use of the function for purposes of the audit in one or more of the following ways:</p> <ul style="list-style-type: none"> • To obtain information that is relevant to the external auditor's assessments of the risks of material misstatement due to error or fraud. In this regard, ISA 315 (Revised)¹⁰ requires the external auditor to obtain an understanding of the nature of the internal audit function's responsibilities, its status within the organization, and the activities performed, or to be performed, and make inquiries of appropriate individuals within the internal audit function (if the entity has such a function); or • Unless prohibited, or restricted to some extent, by law or regulation, the external auditor, after appropriate evaluation, may decide to use work that has been performed by the internal audit function during the period in partial substitution for audit evidence to be obtained directly by the external auditor. <p>In addition, unless prohibited, or restricted to some extent,</p>	<p>Application guidance revised to explain in one place all of the different ways that internal audit might be used by the external auditor. In addition, a definition of direct assistance was introduced (see paragraph 14(b) above).</p>

¹⁰ ISA 315 (Revised), paragraph 6(a)

Exposure Draft Wording	Final Wording	Comments
	by law or regulation, the external auditor may use internal auditors to perform audit procedures under the direction, supervision and review of the external auditor (referred to as “direct assistance” in this ISA).	
A23. As described in paragraph 16, the external auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the external auditor’s decision to obtain the direct assistance of internal auditors on the audit engagement.	11. The external auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the external auditor’s use of the work of the internal audit function or internal auditors to provide direct assistance on the engagement. ...	No substantive change but guidance elevated from the application material to the introductory paragraphs for emphasis.
A24. In accordance with ISA 260, ¹¹ the external auditor communicates with those charged with governance an overview of the planned scope and timing of the audit. In doing so, the external auditor may discuss matters such as the extent to which the work of internal auditors will be used on the audit engagement, including the planned use of direct assistance.	31. <u>Having appropriately evaluated whether and, if so, to what extent internal auditors can be used to provide direct assistance on the audit, The the</u> external auditor shall, in communicating with those charged with governance an overview of the planned scope and timing of the audit in accordance with ISA 260, ¹² communicate the nature and extent of the planned use of internal auditors to provide direct assistance so as to reach a mutual understanding that such use is not excessive in the circumstances of the engagement. (Ref: Para. A38)	Bold text represents new requirement intended to strengthen safeguards regarding use of Direct Assistance. This requirement is intended to be a safeguard against excessive use of direct assistance and was seen as a more appropriate safeguard against excessive use of direct assistance than the comparable safeguard for over use of the work of the internal audit function in the ‘standback’

¹¹ ISA 260, *Communication with Those Charged with Governance*, paragraph 15

¹² ISA 260, *Communication with Those Charged with Governance*, paragraph 15

Exposure Draft Wording	Final Wording	Comments
		<p>requirement in paragraph 27.</p> <p>Also, as it is important that the external auditor be independently satisfied that the extent of use is not excessive, as well as following discussion with the audit committee, the introductory language in bold mark-up has been added at the beginning of the sentence to clarify what was implicit in the ordering of the requirements.</p>
<p>A25. In accordance with paragraph 21, the external auditor evaluates the degree of objectivity and level of competence of the internal auditors who are providing direct assistance before assigning them to specific tasks.</p>	<p>A32. As stated in paragraph A7 of this ISA, objectivity refers to the ability to perform the proposed work without allowing bias, conflict of interest or undue influence of others to override professional judgments. In evaluating the existence and significance of any threats to the objectivity of an internal auditor, the following factors may be relevant:</p> <ul style="list-style-type: none"> The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors. Family and personal relationships <u>with an individual working in, or responsible for, the</u> 	<p>Bold text represents further emphasis on application of the threats and safeguards approach and provides a more robust framework in the ISA for evaluating the objectivity of internal auditors providing direct assistance.</p>

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	<p><u>aspect of the entity to which the work relates.</u></p> <ul style="list-style-type: none"> • Association with the division or department in the entity to which the work relates. • Financial Significant financial interests that are exceptional in the circumstances in the entity other than remuneration on terms consistent with those applicable to other employees at a similar level of seniority <p><u>Material issued by relevant professional bodies for internal auditors may provide additional useful guidance.</u></p> <p><u>A33. There may also be some circumstances in which the significance of the threats to the objectivity of an internal auditor is such that there are no safeguards that could reduce them to an acceptable level. For example, because the adequacy of safeguards is influenced by the significance of the work in the context of the audit, paragraph 30 (a) and (b) prohibits the use of internal auditors to provide direct assistance in relation to performing procedures that involve making significant judgments in the audit or that relate to higher assessed risks of material misstatement where the judgment required in performing the relevant audit procedures or evaluating the audit evidence gathered is more than limited. This would also be the case where the work involved creates a self-review threat.</u></p>	<p>Application material in bold added to explain how paragraph 30 prohibits the use of internal auditors providing direct assistance in circumstances when the threats to the objectivity of the internal auditors is such that no safeguards could reduce the threats to an acceptable level.</p>

Exposure Draft Wording	Final Wording	Comments
	<p><u>which is why internal auditors are prohibited from performing procedures in the circumstances described in paragraph 30 (c) and (d).</u></p> <p><u>A33A34.</u> In evaluating the level of competence of an internal auditor, many of the factors in paragraph A8 of this ISA may also be relevant applied in the context of individual internal auditors and the work to which they may be assigned.</p> <p>A8. Competence of the internal audit function refers to the attainment and maintenance of knowledge and skills of the function as a whole at the level required to enable assigned tasks to be performed diligently and in accordance with applicable professional standards. Factors that may affect the external auditor's determination include the following:</p> <ul style="list-style-type: none"> • Whether the internal audit function is adequately and appropriately resourced relative to the size of the entity and the nature of its operations. • Whether there are established policies for hiring, training and assigning internal auditors to internal audit engagements. • Whether the internal auditors have adequate technical training and proficiency in auditing. Relevant criteria that may be considered by the external auditor in making the assessment may include, for example, the internal auditors' possession of a relevant professional designation and experience. 	

Exposure Draft Wording	Final Wording	Comments
	<ul style="list-style-type: none"> Whether the internal auditors possess the required knowledge relating to the entity's financial reporting and the applicable financial reporting framework and whether the internal audit function possesses the necessary skills (for example, industry-specific knowledge) to perform work related to the entity's financial statements. Whether the internal auditors are members of relevant professional bodies that oblige them to comply with the relevant professional standards including continuing professional development requirements. 	
A26. Paragraphs A11-A13 provide relevant guidance in determining the work that may be assigned to internal auditors.	<p><i>Determining the Nature and Extent of Work that Can Be Assigned to Internal Auditors Providing Direct Assistance</i> (Ref: Para. 29–31)</p> <p>A34A35. Paragraphs A15-A22 of this ISA provide relevant guidance in determining the nature and extent of work that may be assigned to internal auditors.</p>	Cross references expanded to ensure all relevant guidance in the section on using the work of the internal audit function clearly applies to using direct assistance. (see paragraphs that are cross referred above)
–	<p>A35A36. In determining the nature of work that may be assigned to internal auditors, the external auditor is careful to limit such work to those areas that would be appropriate to be assigned. Examples of activities and tasks that would not be appropriate to use internal auditors to provide direct assistance include the following:</p> <ul style="list-style-type: none"> Discussion of fraud risks. However, the 	Bold text represents new illustrative guidance on determining nature and extent of work that may be assigned to internal auditors.

Exposure Draft Wording	Final Wording	Comments
	<p>external auditors may make inquiries of internal auditors about fraud risks in the organization in accordance with ISA 315 (Revised).¹³</p> <ul style="list-style-type: none"> • Determination of unannounced audit procedures as addressed in ISA 240. 	
–	<p><u>A36A37.</u> Similarly, since in accordance with ISA 505¹⁴ the external auditor is required to maintain control over external confirmation requests and evaluate the results of external confirmation procedures, it would not be appropriate to assign these responsibilities to internal auditors. However, internal auditors may assist in assembling information necessary for the external auditor to resolve exceptions in confirmation responses.</p>	Ditto.
–	<p><u>A37A38.</u> The amount of judgment involved and the risk of material misstatement are also relevant in determining the work that may be assigned to internal auditors providing direct assistance. For example, in circumstances where the valuation of accounts receivable is assessed as an area of higher risk, the external auditor could assign the checking of the accuracy of the aging to an internal auditor providing direct assistance. However, because the evaluation of the adequacy of the provision based on the aging</p>	Ditto.

¹³ ISA 315 (Revised), paragraph 6(a)

¹⁴ ISA 505, *External Confirmations*, paragraphs 7 and 16

Exposure Draft Wording	Final Wording	Comments
	would involve more than limited judgment, it would not be appropriate to assign that latter procedure to an internal auditor providing direct assistance.	
–	A38 A39 . Notwithstanding the direction, supervision and review by the external auditor, excessive use of internal auditors to provide direct assistance may affect perceptions regarding the independence of the external audit engagement.	New guidance emphasizing important message about potential adverse effect of overuse of Direct Assistance on perception of independence.
–	Using Internal Auditors to Provide Direct Assistance (Ref: Para. 33) A39 A40 The direction, supervision and review by the external auditor of the audit procedures performed by the internal auditors need to be sufficient in order for the external auditor to be satisfied that the internal auditors have obtained sufficient appropriate audit evidence to support the conclusions based on that work. ...	Bold text represents further emphasis on importance of adequate direction, supervision and review of the procedures performed by internal auditors. At its December 2012 meeting, the IAASB agree to incorporate it into the requirements (see paragraph 34) rather than the application material.
A27. As individuals in the internal audit function are not independent of the entity as is required of the external auditor when expressing an opinion on financial statements, the direction, supervision or review of the audit procedures performed by the internal auditors will ordinarily be more extensive than if members of the engagement team perform the work.	A40 A39 As individuals in the internal audit function are not independent of the entity as is required of the external auditor when expressing an opinion on financial statements, the external auditor's involvement in these circumstances will generally be of a different nature and more extensive than if members of the engagement team perform the work. ...	No substantive change.

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<p>A28. The extent of direction, supervision or review of the audit procedures performed by the internal auditors is also dependent on the external auditor's evaluation of the degree of objectivity and level of competence of, and the nature and extent of audit procedures to be performed by, the internal auditors. Reviewing the work performed by internal auditors includes consideration of whether the evidence obtained is sufficient and appropriate in the circumstances, and that it supports the conclusions reached.</p>	<p>A419. In directing the internal auditors, the external auditor may for example, remind the internal auditors to bring accounting and auditing issues identified during the audit to the attention of the external auditor. In reviewing the work performed by the internal auditors, the external auditor's considerations include whether the evidence obtained is sufficient and appropriate in the circumstances, and that it supports the conclusions reached.</p>	<p>Bold text represents enhanced guidance. Wording duplicative of the requirement in paragraph 29 deleted.</p>