

Basis for Conclusions
Prepared by the Staff of the IAASB
March 2013

International Standard on Auditing

**ISA 610 (Revised 2013),
Using the Work of Internal
Auditors**

IAASB

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BASIS FOR CONCLUSIONS: ISA 610 (REVISED 2013), USING THE WORK OF INTERNAL AUDITORS

In March 2012, the International Auditing and Assurance Standards Board (IAASB) released ISA 610 (Revised), *Using the Work of Internal Auditors*, together with related revisions to ISA 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*. ISA 610 (Revised) includes requirements and guidance addressing the external auditor's responsibilities if using the work of an entity's internal audit function in obtaining audit evidence. ISA 610 (Revised) is effective for audits of financial statements for periods ending on or after December 15, 2013.

The March 2012 Basis for Conclusions for ISA 610 (Revised)¹ explains the more significant issues raised by respondents to the IAASB's July 2010 Exposure Draft (ED) of proposed revised ISA 610 (ED-610).

In March 2013, the IAASB released ISA 610 (Revised 2013) under the same title. ISA 610 (Revised 2013) now also includes requirements and guidance addressing the external auditor's responsibilities if using internal auditors to provide direct assistance under the direction, supervision and review of the external auditor for purposes of the audit, where such assistance is not prohibited by law or regulation. The material in ISA 610 (Revised 2013) pertaining to direct assistance is effective for audits of financial statements for periods ending on or after December 15, 2014.

This Basis for Conclusions supplements the March 2012 Basis for Conclusions. It explains in further detail the more significant issues raised by respondents on the IAASB's proposals in ED-610 pertaining to direct assistance, and how the IAASB has addressed them.

This document has been prepared by the Staff of the IAASB. It relates to, but does not form part of, ISA 610 (Revised 2013), which the IAASB unanimously approved in February 2013.²

I. Background

1. The IAASB initiated its project to revise extant ISA 610³ in March 2009 to reflect developments in the internal audit environment and changes in practice regarding the interactions between external and internal auditors. At the same time, there was a demand to address the ambiguity in the scope of extant ISA 610 regarding whether or not external auditors are permitted to use internal auditors to provide direct assistance on the external audit.
2. The IAASB issued its ED of proposed revised ISA 610 (ED-610) in July 2010. In addition to addressing the use of the work of the internal audit function, ED-610 set out the external auditor's responsibilities if direct assistance is used. In doing so, the IAASB acknowledged that, in some jurisdictions, internal auditors provide direct assistance to the external auditor through performance of audit procedures on the audit engagement under the direction, supervision, and review of the external auditor. As extant ISA 610 stated that it did not deal with such instances, there was ambiguity about whether that meant the ISA does not permit its use, or whether it was simply not addressed in the scope of the ISA. National auditing standards of some jurisdictions allow for direct assistance; while in others, it

¹ The March 2012 Basis for Conclusion for ISA 610 (Revised) and ISA 315 (Revised) is available on the IAASB website at [http://www.ifac.org/sites/default/files/publications/files/ISA%20610%20\(Revised\)%20and%20ISA%20315%20\(Revised\)%20Basis%20for%20Conclusions-Final.pdf](http://www.ifac.org/sites/default/files/publications/files/ISA%20610%20(Revised)%20and%20ISA%20315%20(Revised)%20Basis%20for%20Conclusions-Final.pdf).

² See minutes of the February 12–14, 2013 IAASB meeting at <http://www.ifac.org/auditing-assurance/meetings/brussels-belgium-0> under the heading "Minutes."

³ ISA 610, *Using the Work of Internal Auditors*

is not allowed. The IAASB concluded that continued ambiguity about its intent is not in the public interest.

3. Fifty-seven comment letters were received on ED-610 from various respondents, including regulators and oversight bodies, national standard setters, IFAC member bodies, and firms (representing the views of a total of seventy-two organizations and individuals). As part of its consideration of comments on exposure, the IAASB held discussions with representatives of some of the regulatory respondents to better understand the concerns they had expressed on ED-610 as well as to explain more clearly the IAASB's proposals and further proposed changes.
4. The IAASB also discussed this project with its Consultative Advisory Group (CAG) on six occasions. Further, the IAASB has engaged with the International Ethics Standards Board for Accountants (IESBA) closely throughout the course of the project, in particular regarding the matter of direct assistance, and an IESBA member has been an active member on the project Task Force since inception.
5. At its December 2011 meeting, the IAASB finalized the wording of ISA 610 (Revised), including the provisions addressing direct assistance. However, in March 2012, the IAASB released only the provisions of the standard addressing the external auditor's use of the work of the internal audit function. This recognized the importance of timely release of strengthened requirements relating to using the work of the internal audit function, while also allowing the IESBA the time it needed in 2012 to expose amendments to the IESBA's *Code of Ethics for Professional Accountants* (IESBA Code) to clarify the relationship between the concept of internal auditors providing direct assistance and the IESBA Code's definition of "engagement team."
6. The IAASB and IESBA liaised closely on issues raised by respondents to the IESBA's February 2012 ED, *Proposed Changes to the Definition of Engagement Team*. As the IESBA's proposal to exclude internal auditors providing direct assistance from the definition of the engagement team in the IESBA Code was contingent on being satisfied with the adequacy of the safeguards for the auditor's independence reflected in the requirements in ISA 610 (Revised 2013), comments received on the IESBA ED included some comments relevant to the provisions of ISA 610 on direct assistance. As part of their consideration of comments on the ED, the leadership of the IAASB and IESBA Task Forces jointly held discussions with representatives of regulatory respondents to better understand the concerns the respondents had expressed, as well as to explain more clearly the respective proposals of the Boards and their further proposed changes.
7. In January 2013, the IESBA approved final amendments to the IESBA Code's definition of "engagement team."⁴ Following this, in February 2013, the IAASB approved the final provisions of ISA 610 (Revised 2013) addressing direct assistance, as well as necessary conforming amendments to the definition of engagement team in the ISAs and ISQC 1⁵ for purposes of alignment with the IESBA Code, as well as conforming amendments to other ISAs.

⁴ The IESBA's revised definition of "engagement team" and staff-prepared Basis for Conclusions, *Change to the Definition of "Engagement Team" in the Code of Ethics for Professional Accountants*, are available at <https://www.ifac.org/publications-resources/change-definition-engagement-team-code-ethics-professional-accountants>.

⁵ International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*

II. Using Internal Auditors to Provide Direct Assistance

8. ED-610 asked respondents whether they believed it desirable for the scope of the ISA to be expanded to address the matter of direct assistance.
9. Almost all respondents agreed with the IAASB that it is undesirable for the ISA to continue to be silent on the matter of direct assistance and that the ambiguity regarding whether or not external auditors are permitted to use internal auditors to provide direct assistance on the audit should be clarified.
10. However, respondents' views on whether the ISA should permit direct assistance were polarized. Regulators and oversight bodies expressed the least support for permitting direct assistance, with some expressing strong concerns. Among the reasons cited, respondents were most concerned that direct assistance appeared to be in conflict with the IESBA Code. In particular, it was felt that internal auditors performing external audit procedures at the direction of the external auditor would, in effect, be part of the engagement team and the IESBA Code requires that the engagement team be independent of the audit client. Concerns were also expressed about perceptions that the external auditor's independence might be compromised by the use of direct assistance.
11. On the other hand, recognizing that direct assistance is established practice in some jurisdictions, many respondents agreed that the ISA should deal with it so that appropriate limitations and safeguards can be put in place.
12. Respondents who accepted the use of direct assistance, or respondents, including those from the regulatory community, that acknowledged that it may be inappropriate for the IAASB to prohibit direct assistance, generally felt that such practices should be restricted to more limited circumstances than ED-610 allowed, and more restricted than when using the work of the internal audit function. Many of these respondents were of the view that external auditors should only be permitted to obtain direct assistance in a limited range of circumstances that should be clearly outlined in the ISA.

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13. Given the strong support from respondents to remove any ambiguity in the ISA about direct assistance, the IAASB reaffirmed its view that it is not in the public interest for the ISA to continue to be silent on the matter.
14. The IAASB acknowledged that direct assistance is prohibited in some jurisdictions. It also acknowledged the concerns of respondents about threats to the independence of the external audit team (in fact or perceived) when internal auditors provide direct assistance under the direction, supervision and review of the external auditor. However, the IAASB also noted that a number of jurisdictions allow the use of direct assistance.
15. In this regard, the IAASB noted that it would not be appropriate for the ISA to require or encourage the external auditor to use, or to consider using, internal auditors to provide direct assistance. However, the IAASB did not believe it in the public interest to prohibit direct assistance, with it noting there has been no indication that the use of direct assistance has led to deficiencies in audit quality, nor perceptions thereof. Further, there are potential benefits, such as a strengthened relationship and more effective dialogue with the internal audit function, additional insights into the entity based on the knowledge of the internal auditors, and use of individuals that may have relevant expertise in

particular areas. Direct assistance may also enable the external audit team to focus on the more significant audit issues.

16. After giving careful and due consideration to the comments received from respondents, the IAASB concluded that it is in the public interest to include requirements that ensure that the external auditor's use of direct assistance (where such use is not prohibited by law or regulation) is obtained only in appropriate circumstances, with appropriate limitations and safeguards, and that the auditor's responsibilities are clearly set out.
17. The IAASB concluded that it is possible to put in place a robust framework for the auditor's judgments pertaining to the use of direct assistance and to set out the safeguards needed in light of the fact that internal auditors can exhibit objectivity, but are not independent of the entity. To do so, in light of respondents' comments, the IAASB determined that it is important to further limit the circumstances in which the external auditor can use internal auditors to provide direct assistance and to further strengthen the framework for the external auditor's judgment in this regard, beyond that proposed in ED-610. Accordingly, the IAASB agreed several enhancements to ISA 610 (Revised 2013). Section III of this Basis for Conclusions explains these further enhancements in more detail.
18. The IAASB believes that the enhanced requirements and guidance of ISA 610 (Revised 2013) are consistent with the intentions of the Board when developing ED-610; that is, to permit the use of direct assistance, subject to law or regulation, but provide a robust framework and set of safeguards sufficient to avoid over or undue use thereof.
19. As acknowledged in ED-610, the IAASB understands that there are jurisdictions where obtaining direct assistance from internal auditors by external auditors is prohibited by local law or regulation. The IAASB reaffirmed that its intention is neither to promote the use of direct assistance nor override relevant laws or regulations. Accordingly, the IAASB further clarified in ISA 610 (Revised 2013) that the requirements addressing direct assistance do not apply if the external auditor is prohibited by law or regulation from obtaining direct assistance, and gave greater profile to that fact (See paragraph 26 of ISA 610 (Revised 2013)).

III. Further Enhancements Regarding Use of Direct Assistance

Determining Whether Internal Auditors Can Be Used to Provide Direct Assistance for Purposes of the Audit

20. Paragraph 20 of ED-610 set out requirements for the auditor for determining whether internal auditors can be used to provide direct assistance, if the external auditor plans to use such assistance and doing so is permitted by law or regulation. Paragraph 21 of ED-610 set out the circumstances where the external auditor shall not obtain direct assistance from internal auditors.
21. In addition to evaluating the level of competence of the internal auditor, an important element in both of these paragraphs was the external auditor's evaluation of the degree of objectivity of the internal auditors who will be providing such assistance. If the internal auditor has a low degree of objectivity, then ED-610 prohibited the use of direct assistance.
22. While there was support in principle for these requirements, respondents noted that objectivity is a state of mind and cannot as such be evaluated absent evidence of how it has or has not been exercised, which may not be available to the external auditor.

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23. The IAASB agreed with these observations. Accordingly, in consultation with the IESBA, the IAASB concluded to rewrite these requirements to focus on the evaluation of *the existence and significance of the threats* to the objectivity of the internal auditors providing direct assistance rather than to evaluate the *degree* of objectivity. This, in effect, introduces a threats and safeguards framework to the required evaluation by the external auditor similar to that used in the IESBA Code (See paragraph 27 of ISA 610 (Revised 2013)). Corresponding changes were also made to paragraph 28 of ISA 610 (Revised 2013) addressing circumstances where use of direct assistance would be prohibited.
24. The IAASB and the IESBA noted that the required consideration of the existence and significance of threats to internal auditors' objectivity are best built into the ISA. This was not only because the IESBA Code does not apply to internal auditors but also because the external auditors would need to directly apply those requirements during the performance of the audit.
25. In response to further comments from a regulator respondent, the IAASB also considered whether the requirement and related guidance are at an appropriate level, or whether they are too general or at too high a level compared to the independence requirements in the IESBA Code that apply to members of the engagement team. The IAASB concluded that further specificity would enhance the consistent application of the ISA. Accordingly, the IAASB added a further requirement for the external auditor to inquire of the internal auditors regarding interests and relationships that may create a threat to their objectivity (See paragraph 27 of ISA 610 (Revised 2013)).
26. To further assist in the consistent and effective application of these requirements, the IAASB also included guidance in ISA 610 (Revised 2013) which:
- Reiterates, in the context of direct assistance, the meaning of objectivity; and
 - Identifies factors that may be relevant when evaluating the existence and significance of threats to the external auditor's objectivity, including: family and personal relationships; association with the division or department in the entity to which the work relates; and significant financial interests in the entity other than remuneration on terms consistent with those applicable to other employees at a similar level of authority.
- (See paragraph A32 of ISA 610 (Revised 2013)).
27. The IAASB did not agree that internal auditors providing direct assistance in the limited circumstances permitted by the ISA should be subject to the same objectivity and independence requirements that apply to normal engagement team members. Imposing such obligations, or requiring firms to establish the infrastructure for operationalizing compliance with such obligations, would not only falsely imply that internal auditors could ever become independent of the entity but would also represent a disproportionate response in the circumstances. Further, the IAASB did not believe that it would be appropriate to construct detailed rules by which the external auditor would evaluate whether a threat to objectivity is significant. This reflected the view that such rules would never be capable of capturing all the possible circumstances that might arise in practice. Instead, it will be a matter of professional judgment in the circumstances.
28. Nevertheless, in light of respondents' comments, the IAASB agreed to introduce additional guidance that explains the circumstances in which the significance of the threats to the internal

auditor's objectivity would be such that there are no safeguards that could reduce those threats to an acceptable level (See paragraph A33 of ISA 610 (Revised 2013)).

Determining the Nature and Extent of Work that Can Be Assigned to Internal Auditors Providing Direct Assistance

29. Paragraph 22 of ED-610 addressed the considerations required by the external auditor 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. Paragraph 23 of ED-610 set out the circumstances where the external auditor shall not obtain direct assistance from internal auditors.
30. While supporting the considerations and prohibitions of these paragraphs in principle, respondents questioned the absence of reference to the assessed risks of material misstatement as a factor in determining the work that may be assigned. While respondents acknowledged that ED-610 included consideration of the nature and scope of work to be performed, it was felt that specific reference to the assessed risks of material misstatement would be appropriate. It was also noted that further consideration should be given relating to the amount of judgment involved in performing audit procedures when determining the limited circumstances in which external auditors can use internal auditors to provide direct assistance.
31. A few respondents also suggested that it may be appropriate to prohibit use of direct assistance in areas involving significant risks. The view was that, if direct assistance is permitted, the external auditors should only obtain direct assistance in a very limited range of circumstances.

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32. ED-610 had been premised on a view that direct assistance could be used in the same circumstances that the work of the internal audit function could be used. However, the IAASB accepted respondents' views that the requirements addressing the nature and extent of work that can be assigned to internal auditors providing direct assistance should be more restrictive and, therefore, the requirements appropriately further strengthened. The IAASB noted that doing so would add important safeguards to prevent over or undue use of direct assistance in light of the fact that extensive use of direct assistance could affect perceptions of the independence of the external audit.
33. In particular, the IAASB:
 - Clarified that the external auditor is also required to consider the assessed risk of material misstatement in making a determination about the use of direct assistance; and
 - Prohibited the external auditor from using internal auditors to provide direct assistance to perform audit procedures that relate to higher assessed risks of material misstatement where the judgment required in performing the procedures or evaluating the audit evidence obtained is more than limited.

(See paragraphs 29(b) and 30(b) of ISA 610 (Revised 2013)).

34. In addition, the IAASB introduced guidance that includes examples of activities that would not be appropriate to use internal auditors to provide direct assistance (See paragraphs A35–A39 of ISA 610 (Revised 2013)).

35. The IAASB considered, but did not support, the suggestion for a blanket prohibition of the use of internal auditors to perform procedures that are designed to respond to a significant risk of material misstatement. The IAASB felt that such a prohibition would be overly restrictive because there may be procedures involving very limited judgment that could contribute audit evidence in response to a significant risk. The IAASB also believed that the requirements would be stronger if they directed the external auditor to consider both the assessed risk of material misstatement and the amount of judgment involved when determining the nature and extent of work that may be assigned, and to prohibit direct assistance for *higher* assessed risks for which the judgment involved *is more than limited*.
36. The IAASB also considered, but did not support, the suggestion to extend the prohibition to procedures that required judgment. The IAASB noted that this would result in the external auditor not being able to use internal auditors on almost all procedures, as most procedures require some form of judgment.
37. In response to other suggestions by respondents, the IAASB also strengthened the prohibitions in ISA 610 (Revised 2013) in relation to the potential self-review threat that may arise when using the assistance of internal auditors. In particular, the IAASB further prohibited the use of direct assistance in performing procedures that relate to work with which the internal auditors have been involved and which has already, or will be, reported to management or those charged with governance by the internal audit function (See paragraph 30(c) of ISA 610 (Revised 2013)).

Communication with Those Charged with Governance and Overall Evaluation of the Extent of Planned Use

38. ED-610 included application material explaining that when communicating an overview of the planned scope and timing of the audit with those charged with governance in accordance with ISA 260, 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.
39. The IESBA in particular felt this to be an important safeguard that needs to be built in to the requirements of the ISA. It was noted that if there were a requirement to reach a mutual understanding that the planned use of internal auditors to provide direct assistance is not excessive in the circumstances, then both the external auditor and those charged with governance would focus on the possible threats to users' perceptions of the independence of the external audit that could arise from over or undue use of direct assistance.
40. Some respondents also challenged whether the requirements of ED-610 were sufficient to ensure that the use of direct assistance is, overall, within acceptable levels.

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41. The IAASB considered it pertinent to dispel, to the extent possible, any perception that the external auditor's independence might be compromised by the use of direct assistance.
42. Accordingly, the IAASB introduced a requirement for the external auditor, having appropriately evaluated whether and to what extent internal auditors can be used to provide direct assistance on the audit, to communicate with those charged with governance 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 (See paragraph 31 of ISA 610 (Revised 2013)).

43. In deliberating this requirement, the IAASB did not support going so far as requiring the external auditor to obtain pre-approval by those charged with governance, as the responsibility for the audit remains with the external auditor. Instead the IAASB, with the support of the IESBA, felt that the requirement as presented in ISA 610 (Revised 2013) would achieve the aim of facilitating appropriate dialogue.
44. In addition, the IAASB noted that a regulatory respondent observed that the ‘stand-back’ requirement in ISA 610 (Revised) relating to the use of the work of the internal audit function has similar applicability in the case of direct assistance. The IAASB agreed with this observation. Accordingly, the IAASB introduced a requirement for the external auditor to 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 (See paragraph 32 of ISA 610 (Revised 2013)).

Responsibilities of the External Auditor When Using Internal Auditors to Provide Direct Assistance

45. Paragraph 24 of ED-610 addressed the responsibilities of the external auditor when using internal auditors to provide direct assistance. In particular, it required the external auditor to direct, supervise and review the work performed by internal auditors on the engagement in accordance with ISA 220.⁶ It also required that the level of direction, supervision and review shall recognize that internal auditors are not independent of the entity.
46. Paragraph A28 of ED-610 included application material noting that 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 the internal auditors, and the nature and extent of audit procedures to be performed. It also noted that 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.
47. Respondents variously suggested improvements to strengthen this aspect of the standard, including giving consideration to the elevation of some of the guidance material to requirements to help ensure consistency of application of the standard.
48. It was also noted that a general concern with the use of internal auditors to provide direct assistance is that, because internal auditors are employed by the entity, they are ultimately accountable to management or those charged with governance as opposed to the external auditor, even though they are “seconded” to the external auditor to provide assistance. Therefore, there are risks in relation to the work they perform, and the potential for them to share confidential information regarding the audit with management that could undermine the external audit.

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

IAASB Decisions

49. The IAASB agreed with respondents' suggestions and concluded that the requirement in paragraph 24 of ED-610 should be strengthened and clarified.
50. Accordingly, the IAASB concluded that the requirement should be enhanced to ensure that the *nature, timing and extent* of direction, supervision and review of the internal auditors' work is responsive to the outcome of the external auditor's evaluation of the relevant factors regarding the appropriateness of using the internal auditors for direct assistance. The IAASB also agreed that the emphasis in the requirement should, in the first instance, be for the external auditor to recognize that internal auditors are not independent of the entity when determining the nature, timing and extent of direction, supervision and review (See paragraph 34(a) of ISA 610 (Revised 2013)).
51. In addition, to further clarify and strengthen the requirements of ISA 610 (Revised 2013), the IAASB:
- Established as a requirement that 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, which elevates the application material in ED-610; and
 - Introduced application material explaining further that, as individuals in the internal audit function are not independent of the entity as required of the external auditor, the external auditor's direction, supervision and review will generally be of a different nature and more extensive than if members of the engagement team performed the work.
- (See final sentence of paragraph 34 and paragraphs A40–A41, respectively, of ISA 610 (Revised 2013)).
52. In relation to the further concerns regarding the objectivity of internal auditors, the IAASB introduced requirements for:
- The external auditor's review procedures to include the external auditor checking back to the underlying audit evidence for some of the work performed by the internal auditors; and
 - The external auditor to remain alert when directing, supervising and reviewing the work performed by internal auditors for indications that the external auditor's evaluations concerning significant threats to objectivity or the level of competence of the internal auditor are no longer appropriate.
- (See paragraph 34(b) and paragraph 35, respectively, of ISA 610 (Revised 2013)).
53. Finally, the IAASB agreed to further strengthen the framework around the use of internal auditors to provide direct assistance by setting preconditions essential to using such assistance. Accordingly, ISA 610 (Revised 2013) requires the external auditor to 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
 - 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.

(See paragraph 33 of ISA 610 (Revised 2013)).

IV. Documentation

54. Paragraph 26 of ED-610 required that the working papers prepared by the internal auditors who provided direct assistance on the audit engagement be included in the external auditor's audit documentation.
55. In comparison, paragraph 25 of ED-610 dealing with the external auditor's use of the work of the internal audit function had more specific documentation requirements. Among others, it required the external auditor to include in the audit documentation matters including the evaluation of the degree of objectivity and level of competence of the internal audit function; the nature and extent of the work used and the basis for that decision; and the audit procedures performed by the external auditor to evaluate the adequacy of the work used.
56. Some respondents suggested that, in obtaining direct assistance from internal auditors, the external auditor should be required to include documentation similar to that required under paragraph 25 of ED-610. It was noted in particular the importance of documentation in relation to 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, as well as how the external auditor satisfied the requirements of the ISA pertaining to direction, supervision, and review of internal auditors providing direct assistance. It was noted variously that it is important for the external auditor to document key decisions made and the rationale therefor.

IAASB Decisions

57. The IAASB agreed with respondents' views, and concluded that the documentation requirements in ISA 610 (Revised 2013) related to the use of direct assistance should be expanded. The IAASB acknowledged that documentation similar to that required in relation to when the work of the internal audit function is used would be expected in the case when direct assistance is obtained, and noted the important role audit documentation plays in evidencing the application of the important safeguards established by the requirements of the ISA.
58. Accordingly, the IAASB introduced additional documentation requirements addressing:
 - 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;
 - The basis for the decision regarding the nature and extent of the work performed by the internal auditors; and
 - Who reviewed the work performed and the date and extent of that review in accordance with ISA 230.⁷

In addition, the IAASB agreed to require that the auditor include in the audit documentation the written agreements obtained from an authorized representative of the entity and the internal auditors under paragraph 33 of ISA 610 (Revised 2013).

(See paragraph 37 of ISA 610 (Revised 2013)).

⁷ ISA 230, *Audit Documentation*

V. Other Matters

Definition of Direct Assistance

59. Consistent with respondents' comments on the section of ED-610 dealing with the use of the internal audit function, respondents noted that the understanding of the scope and application of the ISA could be enhanced if the standard defined relevant terms; in this context, the term "direct assistance." The IAASB agreed with this observation (See paragraph 14(b) of ISA 610 (Revised 2013)).

Group Audits

60. The IAASB noted that 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 auditor to consider whether the prohibition also extends to the component auditor and, if so, to address this in the communication to the component auditors. Paragraph A31 of ISA 610 (Revised 2013) acknowledges this.

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