



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **6**

Meeting Date: 28 October 2013

Subject: Revised Auditing Standard ASA 610 *Using the Work of Internal Auditors* and
Amending Standard ASA 2013-2 *Amendments to Australian Auditing
Standards*

Date Prepared: 17 October 2013

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To consider the *Comments Received and Proposed Disposition Paper* relating to ED 02/13 *Proposed Auditing Standard ASA 610 Using the Work of Internal Auditors* and ED 03/13 *Proposed Auditing Standard ASA 2013-2 Amendments to Australian Auditing Standards*.
2. To approve:
 - (a) Final standard ASA 610 *Using the Work of Internal Auditors*;
 - (b) Final standard ASA 2013-2 *Amendments to Australian Auditing Standards*;
 - (c) Supplement to ASA 610 *Using the Work of Internal Auditors*;
 - (d) Basis for Conclusions ASA 610 and ASA 2013-2;
 - (e) Explanatory Statement ASA 610; and
 - (f) Explanatory Statement ASA 2013-2.
3. To note:
 - (a) Thirteen (13) compiled standards arising from ASA 2013-2 *Amendments to Australian Auditing Standards*;
 - (b) Regulation Impact Assessment (RIA); and
 - (c) Office of Best Practice (OBPR) clearance.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

Background

ED 02/13 *Proposed Auditing Standard ASA 610 Using the Work of Internal Auditors* and ED 03/13 *Proposed Auditing Standard ASA 2013-2 Amendments to Australian Auditing Standards* were issued on 2 August 2013 with a 60 day comment period. Eight (8) comment letters were received.

Matters to Consider

The *Comments Received and Proposed Disposition Paper* (Agenda Item 6.1) sets out the comments received and the proposed disposition of those comments. No changes are proposed to the draft standards arising from the comments received on exposure. In effect, the comments received in Australia regarding direct assistance mirror those received internationally, for example, by the IAASB and by the FRC (UK), i.e. firms express the view that direct assistance should not be prohibited, while audit regulators and other stakeholders support a prohibition on direct assistance. The ultimate decision then comes back, appropriately, to the auditing standard setter in the relevant jurisdiction.

In Australia there is a long established practice of not allowing direct assistance and, and for this reason principally, it would not be in the public interest to now reverse that position and permit direct assistance in ASA 610. This is the compelling reason behind the AUASB's decision to prohibit direct assistance, i.e. modifications are made to ASA 610 (compared to ISA 610) in the public interest, as ISA 610 does not reflect, or is not consistent with, principles and practices that are considered appropriate in Australia. In addition, it is considered that the Australian experience of not permitting direct assistance has provided a high level of audit quality which the AUASB seeks to maintain, and enhance, and the changes to ASA 610 do not conflict with, or result in lesser requirements than those in ISA 610.

Previous AUASB minutes expressed the AUASB decision in this way: "In approving the ED of ASA 610, the AUASB noted that the proposal to explicitly prohibit the use of internal auditors to provide direct assistance in an audit or review conducted in accordance with the Australian Auditing Standards, reinforces and strengthens the existing position whereby direct assistance is effectively disallowed by the independence requirements contained in APES 110 *Code of Ethics for Professional Accountants*. Compliance with the revised standard supports the independence of the external auditor and should provide further confidence to stakeholders in the integrity of the audit".

Also relevant are the views of the APESB on direct assistance. These are set out in a letter from the APESB to the AUASB (previously presented to the AUASB) and in APESB exposure draft ED 02/12. The APESB proposes that, if the AUASB prohibits direct assistance in ASA 610, the APESB will not amend the definition of engagement team in the *Code of Ethics for Professional Accountants* (the Code). However, if the AUASB does not prohibit direct assistance, the APESB proposes to amend the definition of "engagement team" to include internal auditors providing direct assistance on the external audit engagement. See Agenda Item 6.2 and Agenda Item 6.3, for information.

A Regulation Impact Assessment (RIA) was completed for proposed standards ASA 610 and ASA 2013-2 and submitted to the Office of Best Practice Regulation (OBPR) in accordance with the Australian Government's Best Practice Regulation requirements. The OBPR has cleared the RIA indicating that no further analysis (in the form of a Regulation Impact Statement) is required.

AUASB Technical Group Recommendations

For approval

It is recommended that the AUASB approve the final standards for issue, subject to the usual QA and other finalisation processes, including:

1. *ASA 610 Using the Work of Internal Auditors*; and
2. *ASA 2013-2 Amendments to Australian Auditing Standards*.

It is also recommended that the AUASB approve the:

3. Supplement to ASA 610;
4. Basis for Conclusions ASA 610 and ASA 2013-2
5. Explanatory Statement ASA 610; and
6. Explanatory Statement ASA 2013-2.

For noting

The AUASB is asked to note the following documents:

1. Thirteen (13) compiled standards arising from *ASA 2013-2 Amendments to Australian Auditing Standards*;
2. Regulation Impact Assessment (RIA); and
3. Office of Best Practice (OBPR) clearance.

Material Presented

Agenda Item 6	AUASB Board Meeting Summary Paper
Agenda Item 6.1	Comments Received and Proposed Disposition Paper
Agenda Item 6.2	Letter from the APESB [electronic version only]
Agenda Item 6.3	APESB Exposure Draft ED 02/13 [electronic version only]
Agenda Item 6.4	<i>ASA 610 Using the Work of Internal Auditors</i> (Marked Up Version)
Agenda Item 6.5	<i>ASA 610 Using the Work of Internal Auditors</i> (Clean Version)
Agenda Item 6.6	<i>ASA 2013-2 Amendments to Australian Auditing Standards</i> (Marked Up Version)
Agenda Item 6.7	<i>ASA 2013-2 Amendments to Australian Auditing Standards</i> (Clean Version)
Agenda Item 6.8	Supplement to ASA 610
Agenda Item 6.9	Basis for Conclusions ASA 610 and ASA 2013-2
Agenda Item 6.10	Explanatory Statement ASA 610
Agenda Item 6.11	Explanatory Statement ASA 2013-2
Agenda Item 6.12	Regulation Impact Assessment ASA 610 and ASA 2013-2
Agenda Item 6.13	OBPR clearance ASA 610 and ASA 2013-2

The following Compiled Standards are provided in electronic form for information:

Agenda Item 6.14	<i>ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements (Compiled)</i>
Agenda Item 6.15	<i>ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards (Compiled)</i>
Agenda Item 6.16	<i>ASA 220 Quality Control for an Audit of a Financial Report and Other Historical Financial Information (Compiled)</i>
Agenda Item 6.17	<i>ASA 230 Audit Documentation (Compiled)</i>
Agenda Item 6.18	<i>ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report (Compiled)</i>
Agenda Item 6.19	<i>ASA 260 Communication with Those Charged with Governance (Compiled)</i>
Agenda Item 6.20	<i>ASA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management (Compiled)</i>
Agenda Item 6.21	<i>ASA 300 Planning an Audit of a Financial Report (Compiled)</i>
Agenda Item 6.22	<i>ASA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment (Compiled)</i>
Agenda Item 6.23	<i>ASA 402 Auditing Considerations Relating to an Entity Using a Service Organisation (Compiled)</i>
Agenda Item 6.24	<i>ASA 500 Audit Evidence (Compiled)</i>
Agenda Item 6.25	<i>ASA 550 Related Parties (Compiled)</i>
Agenda Item 6.26	<i>ASA 600 Special Considerations-Audits of a Group Financial Report (Including the Work of Component Auditors) (Compiled)</i>

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve ASA 610	Approved standard	AUASB	28 Oct 2013	
2.	Approve ASA 2013-2	Approved standard	AUASB	28 Oct 2013	
3.	Approve Supplement to ASA 610	Approved Supplement	AUASB	28 Oct 2013	
4.	Approve Basis for Conclusions ASA 610 and ASA 2013-2	Approved Basis for Conclusions	AUASB	28 Oct 2013	
5.	Approve Explanatory Statement ASA 610	Approved Explanatory Statement	AUASB	28 Oct 2013	
6.	Approve Explanatory Statement ASA 2013-2	Approved Explanatory Statement	AUASB	28 Oct 2013	

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