

INTOSAI



Practice Note to ISA 610

Using the Work of Internal Auditors

INTOSAI



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Practice Note to International Standard on Auditing (ISA) 610 (Revised 2013)

Using the Work of Internal Auditors

Background

This Practice Note provides supplementary guidance on ISA 610 (Revised 2013) – Using the Work of Internal Auditors. It is read together with the ISA 610 (Revised 2013) effective for audits of financial statements for periods ending on or after December 15, 2014. The Practice Note is effective the same date as the ISA.

Introduction to the ISA

ISA 610 (Revised 2013) 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.

Content of the Practice Note

- P1. The Practice Note provides additional guidance for public sector auditors related to:
- (a) Overall considerations
 - (b) Determining whether, in which areas, and to what extent to use the work of the internal auditors
 - (c) Determining whether, in which areas, and to what extent internal auditors can be used to provide direct assistance

Applicability of the ISA in Public Sector Auditing

- P2. ISA 610 (Revised 2013) is applicable to auditors of public sector entities in their role as auditors of financial statements.

Additional Guidance on Public Sector Issues

Overall Considerations

- P3. The objectives of a financial audit in the public sector are often broader than expressing an opinion whether the financial statements have been prepared, in all material respects, in accordance with the applicable financial reporting framework (i.e. the scope of the ISAs). Additional objectives may include audit and reporting responsibilities, for example, relating to reporting whether the public sector auditors found any instances of non-compliance with authorities, including budgets and accountability frameworks, and/or reporting on the effectiveness of internal control. Public sector auditors may find activities carried out by the internal audit function relating to the entity's non-compliance with authorities including budget and accountability and the entity's effectiveness of internal control relevant to the audit. In such cases public sector auditors may use the work of the internal auditors to supplement the external audit work in these areas.

Determining Whether, in Which Areas, and to What Extent to Use The Work of the Internal Auditors

- P4. Public sector auditors, when evaluating the objectivity of the internal audit function, as required in paragraph 15(a) of the ISA, consider any relevant INTOSAI guidance related to assessing the objectivity of the internal auditors and, if relevant, the existence and reports of any public sector internal audit function oversight body. However, where the internal audit function is established by legislation or regulation, and the following criteria are met, there is a strong indication that the internal audit function may be objective:
- (a) Is accountable to top management, for example the head or deputy head of the government entity, and to those charged with governance;
 - (b) Reports the audit results both to top management, for example the head or deputy head of the government entity, and those charged with governance;
 - (c) Is located organizationally outside the staff and management function of the unit under audit;
 - (d) Is sufficiently removed from political pressure to conduct audits and report findings, opinions, and conclusions objectively without fear of political reprisal;
 - (e) Does not permit internal audit staff to audit operations for which they have previously been responsible for to avoid any perceived conflict of interest; and
 - (f) Has access to those charged with governance.

Determining Whether, in Which Areas, and to What Extent Internal Auditors Can Be Used to Provide Direct Assistance

- P5. The objectives of a financial audit in the public sector are often broader than expressing an opinion in accordance with an applicable financial reporting framework. Such broader objectives often lead to greater expectations of the users of the financial statements, including the public at large, with respect to such matters as the independence of those conducting the audit.

For that reason, the expectations of public sector auditors within an applicable jurisdiction and the public interest generally, may be relevant in the evaluation of the threats and safeguards to using internal auditors to provide direct assistance, in addition to those criteria already identified in the ISA.