



SA 610- Using work of Internal Auditors (IA)

<p>External Auditor’s (EA) Responsibility for Audit</p> <ul style="list-style-type: none"> EA has sole responsibility for audit opinion & it is not reduced by using Internal Audit Function (IAF) or IAs to provide direct assistance, as they are not independent of entity 	<p>Objectives of EA, where entity has IAF</p> <ul style="list-style-type: none"> To determine whether work of IAF or Direct Assistance from IAs can be used If using work of IAF, to determine whether that work is adequate for purposes of audit If using IAs to provide direct assistance, appropriately Direct, Supervise & Review (DSR) their work
<p>Evaluating whether work of IAF can be used for Audit (Cannot be used – Vice Versa)</p> <ul style="list-style-type: none"> Extent to which IAF’s organizational status & policies & procedures support objectivity of IAs Level of competence of IAF Whether IAF apply systematic & discipline approach 	<p>Nature & Extent of Work of IAF that can be used</p> <ul style="list-style-type: none"> EA shall consider nature & scope of work performed by IAF. Work of IAF that can be used include - <ul style="list-style-type: none"> Testing of operating effectiveness of controls Substantive procedures having limited judgment Tracing transactions through FR IS Observations of inventory counts Testing compliance with regulatory requirements Audits of subsidiaries that are not significant EA shall make all significant judgments & plan to use less of work of IAF & perform more work directly - <ul style="list-style-type: none"> Less IAF’s organizational status & policies & procedures supporting objectivity of IAs Lower level of competence of IAF Higher assessed ROMM More judgment is involved in – <ul style="list-style-type: none"> Planning & performing audit procedures Evaluating audit evidence gathered
<p>Using Work of IAF</p> <ul style="list-style-type: none"> Discussion & Coordination with IAF EA shall read reports of IAF of work that EA plans to use to obtain understanding of nature & extent of procedures it performed & findings Determining adequacy of IAF, evaluating whether - <ul style="list-style-type: none"> Work of IAF is properly planned, reviewed & documented SAAE is obtained by IAF to draw conclusions Conclusions are appropriate in circumstances 	<p>Nature & Extent of Work for using Direct Assistance</p> <p>EA shall consider -</p> <ul style="list-style-type: none"> Evaluation of existence & significance of threats Assessed ROMM Amount of judgement wrt – <ul style="list-style-type: none"> Planning & performing audit procedures Evaluation of audit evidence gathered <p>EA shall not use Direct Assistance for below work -</p> <ul style="list-style-type: none"> Making significant judgements Relate to higher ROMM Relate to work reported to Mgt or TCWG by IAF Relate to decisions EA makes as per SA 610 <p>Review of work performed by IAs</p> <ul style="list-style-type: none"> NTE of review shall recognize that IAs are not independent of entity Review shall include EA checking underlying audit evidence for some work performed by IAs Sufficient DSR to be satisfied that IAs have obtained SAAE to support conclusions based on that work
<p>Whether IA can be used to provide Direct Assistance</p> <ul style="list-style-type: none"> L&R may prohibit EA from obtaining direct assistance If not prohibited - <ul style="list-style-type: none"> Evaluation of significance of threats to objectivity & level of competence of IAs Evaluation of significance of threats shall include inquiry of IAs for interests & relationships <p>In evaluating significance of threats to objectivity of IA, following factors are relevant -</p> <ul style="list-style-type: none"> Extent of IAF’s organizational status & policies & procedures supporting objectivity of IAs Family & Personal relationships with individuals working in entity to which work relates Association with department to which work relates Significant financial interest other than remuneration <p>EA shall not use IA to provide direct assistance if -</p> <ul style="list-style-type: none"> There are significant threats to objectivity of IA, or IA lacks sufficient competence to perform proposed work 	<p>Communication to TCWG - How EA has planned to use work of IAF</p>