

Meeting: IAASB
Meeting Location: Beijing
Meeting Date: September 19 – 23, 2011

Agenda Item

9

Using the Work of Internal Auditors

Objective of Agenda Item

1. To consider:
 - (a) Task Force's recommendations on the remaining significant matters raised by the IAASB in relation to respondents' comments on the Exposure Draft (ED); and
 - (b) Corresponding revisions proposed to draft revised ISAs 315 and 610¹ to address these matters.

Task Force

2. Members:
 - Diana Hillier, Chair, IAASB Member
 - Cédric Gélard, IAASB Member
 - Daniel Montgomery, IAASB Member
 - Marek Grabowski, IAASB Technical Advisor
 - Carman Lapointe, Institute of Internal Auditors (IIA) Representative
 - Clyde MacLellan, International Organization of Supreme Audit Institutions (INTOSAI) Representative

Correspondent member:

 - Robert Franchini, International Ethics Standards Board for Accountants (IESBA) Member
3. Technical advisors supporting Task Force members on the project include Jon Rowden (for Ms. Hillier) and Isabelle Tracq-Sengeissen (for Mr. Gélard).

¹ Draft ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* and draft ISA 610 (Revised), *Using the Work of Internal Auditors*

Background

4. In July 2010, the IAASB issued an ED proposing revisions to ISAs 315 and 610. The 120-day comment period ended on November 15, 2010. Comment letters have been received from 57 respondents (representing the views of a total of 72 organizations and individuals). All comments letters can be accessed from the IAASB website at <http://www.ifac.org/Guidance/EXD-Details.php?EDID=0141>. At its June 2011 meeting, the IAASB undertook a full review of respondents' comments to the ED. It also considered drafts of proposed revised ISAs 315 and 610.

Activities since Last IAASB Discussions

5. The Task Force has held face-to-face and teleconference meetings during July 2011–August 2011 to reflect on the Board's input and to further develop the proposed revised drafts of ISAs 315 and 610 to respond to the comments.
6. At its June 2011 meeting, the IESBA was presented with an overview of respondents' comments on ethical matters relating to proposals in the ED. The IESBA agreed to set up a task force ("IESBA ISA 610 Task Force") to give further consideration to the matters raised by respondents and to put forward recommendations for the IESBA's consideration at its October 2011 meeting.² The IAASB ISA 610 Task Force Chair has been invited to participate as a correspondent member on the IESBA ISA 610 Task Force which is scheduled to meet for the first time on September 5, 2011. Relevant matters arising from the IESBA ISA 610 Task Force meeting will be referred to during the Task Force Chair's presentation.
7. It is anticipated that the IESBA's final decision on the actions it may take will not be known until after its discussion of the IESBA ISA 610 Task Force's recommendations at the October 2011 IESBA meeting. For this reason, approval of proposed revised ISAs 315 and 610 as final standards is slated for the December 2011 IAASB meeting. In December 2011, the IAASB will also consider and discuss matters of due process such as the effective date of the final standards and whether or not re-exposure might be necessary.

Material Presented

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| Agenda Item 9-A | Using the Work of Internal Auditors – IAASB Task Force Recommendations dated September 2011 in Response to IAASB's Consideration of Significant Comments on Exposure |
| Agenda Item 9-B | Draft Proposed ISA 315 (Revised) dated September 2011 (Marked from June 2011) |

² At its October 2011 meeting, the IESBA will consider the IESBA ISA 610 Task Force's proposals including whether revisions to the IESBA *Code of Ethics for Professional Accountants* are required and if so, what form should the amendments take.

- Agenda Item 9-C Draft Proposed ISA 610 (Revised) dated September 2011 (Marked from June 2011)
- Agenda Item 9-D Draft Proposed ISA 315 (Revised) dated September 2011 (Clean)
- Agenda Item 9-E Draft Proposed ISA 610 (Revised) dated September 2011 (Clean)

Actions Requested

8. IAASB members are asked to:
- (a) Consider and express their views on the remaining significant issues presented in **Agenda Item 9-A**; and
 - (b) Consider and comment on the corresponding revisions proposed to draft revised ISAs 315 and 610 to address these issues. Marked drafts of the ISAs are presented in **Agenda Item 9-B** and **Agenda Item 9-C** respectively.