

**Overview of Key Changes to Exposure Draft**

To facilitate consideration of the nature and extent of changes to the Exposure Draft (ED) wording as a basis for considering whether or not re-exposure may be necessary, the following provides a narrative summary of the key changes made to the ED wording in response to comments. The attached tables provide a side-by-side comparison of the wording of the objectives and requirements that are relevant to this analysis. For information purposes only.

**ISA 315***Inquiries*

- Reordering of the guidance in paragraphs A6–A12 so that guidance on the inquiries of the internal audit function is located together.
- Introduced two new examples of individuals within the entity to whom inquiries might be directed: the risk management function, and information systems personnel. These are illustrative only.
- Clarified in paragraph A9 that it is intended that the inquiries of the internal audit function be made whether or not the external audit intends to use their work in obtaining audit evidence.
- Examples of internal audit reports that might be relevant to read added in paragraph A10.
- Introduced link back to ISA 240 in paragraph A11 relating to actions if internal audit provides information regarding fraud.
- Public sector consideration added in paragraph A13.

*Obtaining an understanding of the function*

- Some reordering and editing for clarity in paragraphs A101–A108.

**ISA 610***Scope and introduction*

- Scope section clarified to be more explicit about when the ISA applies and when it does not.
- Clarified terminology on “using the work of internal auditors”, “using the work of the internal audit function” and “using internal auditors to provide direct assistance. Link between them established in Paragraph 1 and definitions section introduced.
- Provided a more explicit linkage between ISA 315 (Revised) and ISA 610 (Revised) (paragraphs 6–9 and A4)
- Emphasized the external auditor’s responsibility for the audit and the intention of ISA 610 (Revised) to provide a framework to prevent over or undue use of internal audit work (paragraph 11, last sentence of paragraph 3 and paragraph A5)

- Greater visibility to the fact that law or regulation may prohibit use of internal audit work or direct assistance (paragraphs 5 and 27)

*Evaluating the internal audit function*

- In evaluating the internal audit function, avoided references to the “degree of objectivity” and “level of competence”, and clarified how the existence of a systematic and disciplined approach, including quality control, applies in determining whether the work of the function can be used. Thresholds for not being able to use any of work of the internal audit function now set at:
  - The function’s organizational statement and relevant policies and procedures do not adequately support the objectivity of internal auditors (from “a low degree of objectivities”)
  - The function lacks sufficient competence (from “a low level of competence”)
  - The function does not apply a systematic and disciplined approach (implicit previously, now stated explicitly)
- In the application material, added examples and additional factors to consider when evaluating objectivity and competence and whether a systematic and disciplined approach exists (paragraphs A6–A10).
- Introduced some guidance explaining how the factors interact when forming conclusions about objectivity and competence (paragraphs A13–A14), and introduced explanation of limitations on external auditors providing internal auditor services to clients from the IESBA Code (paragraph A15).

*Determining the nature and extent of work that can be used*

- Reordering of requirements on determining and nature and extent of work of the internal audit function that can be used to improve clarity and understandability (paragraphs 18–20).
- Elevated from the application material the parameters for judgments on how much work of the function can be used (e.g., using less work of the internal audit function and more of the work directly if more judgment is involved, the more objectivity if not adequately supported, and the less competence). Also elevated from the application material the need to consider the risk of material misstatement (in the ED, the application material explained that this was a direct consequence of considering the amount of judgment involved) (paragraph 19).
- Introduced application material explaining the limited use that can be made of the work of the function in relation to significant risks (paragraph A22).
- Reworded the “stand back” check on the overall amount of work planned to be used (paragraph 20)

*Using the work of the function*

- Elevated to requirements the need to communicate the planned use of the work of the function, and direct assistance, with those charged with governance in complying with ISA 260 (paragraphs 22 and 32).
- Elevated from the application material the objective of reading the reports of the internal audit function related to work the external auditor intends to use (paragraph 23)

Using the Work of Internal Auditors—Proposed ISA 610 (Revised) (Key Changes and ED Mapping)  
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- Elevated from the application material the parameters for the judgments on the nature and extent of procedures the external auditor needs to do on the work of the function, including now mandating some reperformance (the ED had suggested it would be appropriate “in most circumstances”) (paragraph 25)
- Introduced a “loop back”, similar to that in ISA 330 regarding risk assessments, to evaluate whether the evidence obtained regarding the work of the internal audit function would change the external auditor’s original conclusions regarding the function (paragraph 26).
- Introduced application material to repeat the guidance that had been proposed in ISA 315 regarding how to respond to information internal auditors bring to the attention of the external auditor (paragraph A26)

*Direct assistance*

- Focus on the “existence and significance” of threats to objectivity, rather than the “degree of objectivity” (paragraphs 28, 29) and “lacking the necessary competence” rather than the “low level of competence” (paragraph 29).
- Introduced guidance on factors to consider when evaluating the existence and significance of threats to objectivity drawing from relevant guidance in the IFAC Code of Ethics (paragraph A35)
- Introduced the risk of material misstatement as one of the factors to consider in determining the nature and extent of work that may be assigned to internal auditors, and the direction, supervision and review that is appropriate in the circumstances (paragraph 30).
- Added a paragraph in the application material to explain why this section may be relevant even if in a jurisdiction that prohibits direct assistance (paragraph A32)
- Strengthened the safeguards against over use of direct assistance by clarifying the circumstances when it would not be appropriate, including a further example of a possible self review threat (paragraph 31(c)) and a threshold for risk and judgment (paragraph 31(b)).
- Also introduced in the application material examples of work that it would not be appropriate to assign to internal auditors providing direct assistance (paragraph A38). Also introduced guidance on the limited aspects of external confirmations that might be done with direct assistance, making the assertion that the external auditor is required to maintain control over external confirmation requests and evaluation of results (paragraph A39).
- Introduced the requirement to obtain written agreements from both authorized personnel in the entity and internal auditors (paragraph 33(b))
- Clarified the review procedures include checking back to underlying audit evidence for some of the work performed (paragraph 34 (b)).
- Introduced a “loop back” on the evaluations, similar to the one introduced for using the work of the function.

*Documentation*

- Added documentation requirements for the judgments/conclusions made in relation to direct assistance

**This Exhibit presents a comparison of relevant text in ED-ISA 610 and Proposed ISA 610 (Revised) pertaining to significant matters raised by respondents on exposure. For information purposes only.**

ED-ISA 610	Proposed ISA 610 (Revised)
<b>Scope of this ISA</b>	
<p>This International Standard on Auditing (ISA) deals with the external auditor’s responsibilities relating to using the work of internal auditors.</p> <p>ISA 315 addresses the understanding the external auditor obtains of an entity’s internal audit function (if the function exists) and inquiries the external auditor makes of internal auditors to obtain information relevant to the external auditor’s risk assessment. This ISA addresses the use of the work of the internal audit function when the external auditor expects to use the work of the function to modify the nature or timing, or reduce the extent, of audit procedures to be performed.</p> <p>This ISA does not apply if an internal audit function does not exist or the function’s responsibilities and activities are not related to the entity’s financial reporting. In addition, the external auditor need not apply this ISA if the external auditor does not expect to use the work</p>	<p>This International Standard on Auditing (ISA) 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.</p> <p>ISA 315 (Revised)<sup>1</sup> addresses how the knowledge and experience of the internal audit function can inform the external auditor’s understanding of the entity and its environment and identification and assessment of risks of material misstatement. ISA 315 (Revised)<sup>2</sup> also explains how effective communication between the internal and external auditors also creates an environment in which the external auditor can be informed of significant matters that may affect the external auditor’s work.</p> <p>This ISA does not apply if the entity does not have an internal audit function.</p> <p>If the entity has an internal audit function, the requirements in this ISA relating to using the work of that function do not apply if:</p>

<sup>1</sup> ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

<sup>2</sup> ISA 315 (Revised), paragraph A108

<p>of the internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed.</p> <p>This ISA also addresses the external auditor’s responsibilities when using internal auditors to provide direct assistance under the direction and supervision of the external auditor. The requirements relating to direct assistance do not apply if the external auditor does not plan to obtain the direct assistance of internal auditors.</p>	<p>(a) The responsibilities and activities of the function are not relevant to the audit; or</p> <p>(b) The external auditor does not expect to use the work of the function in obtaining audit evidence.</p> <p>Nothing in this ISA requires the external auditor to use the work of the internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed directly by the external auditor; it remains a decision of the external auditor in establishing the overall audit strategy.</p> <p>Furthermore, the requirements in this ISA relating to direct assistance do not apply if the external auditor does not plan to use internal auditors to provide direct assistance.</p>
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**Relationship between the Internal Auditors and the External Auditor**

<p>This ISA deals with how the external auditor determines whether to use the work of the internal audit function, and if so, to what extent and the external auditor’s evaluation of the adequacy of the work of the internal audit function for purposes of the audit. It also deals with relevant considerations, including the types of procedures needed, when contemplating whether to use internal auditors to provide direct assistance.</p>	<p><i>[Text redrafted and moved - see [A] below]</i></p>
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The objectives of the internal audit function are determined by management and, where applicable, those charged with governance and may include assurance and consulting activities within an entity designed to evaluate and improve the effectiveness of the entity's risk management, internal control, and governance processes. An entity's internal audit function may perform audit procedures similar to those performed by the external auditor in an audit of financial statements. For example, the internal audit function might plan and perform tests or other procedures to provide assurance to management and those charged with governance regarding the design, implementation and operating effectiveness of internal controls relevant to the external audit.

*[Text redrafted and moved - see [B] and [C] below]*

External auditors may be able to use such work rather than perform that work themselves in obtaining sufficient appropriate audit evidence on which to base the auditor's opinion. Internal auditors may also provide direct assistance on the engagement by performing audit procedures under the direction and supervision of the external auditor. However, neither the internal audit function nor the internal auditors are independent of the entity as is required of the external auditor in an audit of financial statements in accordance with ISA 200.<sup>3</sup>

*[Text redrafted and moved - see [D] below]*

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<sup>3</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 14

The external auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the external auditor's use of the work of the internal audit function. For this reason, even if some of the internal audit function's activities appear relevant to the external audit relate to the entity's financial reporting, the external auditor may decide not to use the work of the internal audit function.

In some jurisdictions, the external auditor may be prohibited, or restricted to some extent, by law or regulation from using the work of the internal audit function, from obtaining direct assistance from internal auditors, or from communicating with the internal audit function to the extent contemplated in this ISA. The ISAs do not override laws or regulations that govern an audit of financial statements.<sup>4</sup> However, such prohibitions or restrictions will not prevent the external auditor from complying with the ISAs as this ISA does not require the external auditor to use the work of the internal audit function or to obtain direct assistance from internal auditors.

**A][C][D]**The external auditor has sole responsibility for the audit opinion expressed, and that responsibility is not reduced by the external auditor's use of the work of the internal audit function or internal auditors to provide direct assistance on the engagement. Although they may perform audit procedures similar to those performed by the external auditor, neither the internal audit function nor the internal auditors are independent of the entity as is required of the external auditor in an audit of financial statements in accordance with ISA 200.<sup>5</sup> This ISA, therefore, defines the conditions that are necessary for the external auditor to be able to use the work of internal auditors. It also defines the necessary work effort to obtain sufficient appropriate evidence that the work of the internal audit function, or internal auditors providing direct assistance, is adequate for the purposes of the audit. The requirements are designed to provide a framework for the external auditor's judgments regarding the use of the work of internal auditors to prevent over or undue use of such work.

In some jurisdictions, the external auditor may be prohibited, or restricted to some extent, by law or regulation from using the work of internal audit function or, using internal auditors to provide direct assistance. The ISAs do not override laws or regulations that govern an audit of financial statements.<sup>6</sup> Such prohibitions or restrictions will therefore not prevent the external auditor from complying with the ISAs.

<sup>4</sup> ISA 200, paragraph A55

<sup>5</sup> ISA 200, paragraph 14

<sup>6</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph A55

Activities similar to those performed by an internal audit function may be conducted by functions with other titles within an entity. Some or all of the activities of an internal audit function may also be outsourced to a third-party service provider. Neither the title of the function, nor whether it is performed by the entity or a third-party service provider, are determinants of whether or not the external auditor can use the work of the internal audit function. Rather, it is the nature of the activities, and the objectivity and competence of the function that are relevant.

There may be individuals within an entity that perform ad hoc procedures similar to those performed by an internal audit function. However, unless performed by an objective and competent function that applies a systematic and disciplined approach, including quality control, such procedures would be considered control activities and obtaining evidence regarding the effectiveness of such controls would be part of the auditor's responses to assessed risks in accordance with ISA 330.

Activities similar to those performed by an internal audit function may be conducted by functions with other titles within an entity. Some or all of the activities of an internal audit function may also be outsourced to a third-party service provider. Neither the title of the function, nor whether it is performed by the entity or a third-party service provider, are sole determinants of whether or not the external auditor can use the work of the internal audit function. Rather, it is the nature of the activities, and the extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of internal auditors, and competence, and systematic and disciplined approach of the function that are relevant. References in this ISA to the work of the internal audit function include relevant activities of other functions or third party providers that have these characteristics.

There may be individuals in an entity that perform procedures similar to those performed by an internal audit function. However, unless performed by an objective and competent function that applies a systematic and disciplined approach, including quality control, such procedures would be considered internal controls and obtaining evidence regarding the effectiveness of such controls would be part of the auditor's responses to assessed risks in accordance with ISA 330.

**Objectives**

<p>The objectives of the external auditor, where the entity has an internal audit function and the external auditor expects to use the work of the internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed, are:</p> <p>(a) To determine whether to use the work of the internal audit function, and if so, to what extent; and</p> <p>(b) If using the work of the internal audit function or obtaining direct assistance from internal auditors, to determine whether that work is adequate for purposes of the audit.</p>	<p>The objectives of the external auditor, where the entity has an internal audit function and the external auditor expects to use the work of the function to modify the nature or timing, or reduce the extent, of audit procedures to be performed directly by the external auditor, or to use internal auditors to provide direct assistance, are:</p> <p>(a) To determine whether the work of the internal audit function or direct assistance from internal auditors can be used, and if so, in which areas and to what extent;</p> <p>and having made that determination:</p> <p>(b) If using the work of the internal audit function, to determine whether that work is adequate for purposes of the audit; and</p> <p>(c) If using internal auditors to provide direct assistance, to appropriately direct, supervise and review their work.</p>
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**Definition of Internal Audit Function**

<p>N/A</p>	<p><b>[B]</b> The objectives and scope of internal audit functions typically include assurance and consulting activities designed to evaluate and improve the effectiveness of the entity’s governance processes, risk management and internal control such as the following:</p> <p>...</p> <p>Activities relating to risk management</p> <ul style="list-style-type: none"> <li>The internal audit function may assist the entity by identifying and evaluating significant exposures to risk and contributing to the improvement of risk management and internal control (including effectiveness of the financial reporting process).</li> </ul>
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**Determining Whether the Work of the Internal Audit Function Can Be Used for Purposes of the Audit**

<p>The external auditor shall determine whether the work of the internal audit function can be used for purposes of the audit by evaluating the following:</p> <ul style="list-style-type: none"> <li>(a) The extent to which the internal audit function’s organizational status and relevant policies and procedures support the objectivity of the internal auditors;</li> <li>(b) The level of competence of the internal audit function; and</li> <li>(c) Whether the internal audit function applies a systematic and disciplined approach, including quality control.</li> </ul> <p>The external auditor shall not use the work of the internal audit function if it has:</p> <ul style="list-style-type: none"> <li>(a) a low degree of objectivity, regardless of its level of competence; or</li> <li>(b) a low level of competence, regardless of its degree of objectivity.</li> </ul>	<p>The external auditor shall determine whether the work of the internal audit function can be used for purposes of the audit by evaluating the following:</p> <ul style="list-style-type: none"> <li>(a) The extent to which the internal audit function’s organizational status and relevant policies and procedures support the objectivity of the internal auditors;</li> <li>(b) The level of competence of the internal audit function; and</li> <li>(c) Whether the internal audit function applies a systematic and disciplined approach, including quality control.</li> </ul> <p>The external auditor shall not use the work of the internal audit function if the external auditor determines that:</p> <ul style="list-style-type: none"> <li>(a) The function’s organizational status and relevant policies and procedures do not adequately support the objectivity of internal auditors;</li> <li>(b) The function lacks sufficient competence; or</li> <li>(c) The function does not apply a systematic and disciplined approach, including quality control.</li> </ul>
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**Determining the Planned Use of the Work of the Internal Audit Function**

<p>In determining the planned use of the work of the internal audit function, the external auditor shall consider:</p> <ul style="list-style-type: none"> <li>(a) The external auditor’s evaluation of the degree of objectivity and level of competence of the internal audit function;</li> <li>(b) The nature and scope of work performed, or to be performed, by the internal audit function and its relevance to the external auditor’s overall audit strategy and audit plan; and</li> </ul>	<p>As a basis for determining the areas and the extent to which the work of the internal audit function can be used, the external auditor shall consider the nature and scope of the work that has been performed, or is planned to be performed, by the internal audit function and its relevance to the external auditor’s overall audit strategy and audit plan.</p> <p>The external auditor shall make all the significant judgments in the audit engagement and, to prevent undue use of the work of the internal audit function, the external auditor shall plan to use less of the work of the</p>
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<p>(c) The amount of judgment involved in:</p> <ul style="list-style-type: none"> <li>(i) Planning and performing relevant audit procedures for particular classes of transactions, account balances and disclosures; and</li> <li>(ii) Evaluating the audit evidence gathered by the internal audit function in support of the relevant assertions.</li> </ul> <p>Because the external auditor has sole responsibility for the audit opinion expressed, the external auditor shall:</p> <ul style="list-style-type: none"> <li>(a) Make the significant judgments in the audit engagement; and</li> <li>(b) Plan to directly perform sufficient procedures to be able to draw reasonable conclusions on which to base the external auditor's opinion,</li> </ul> <p>regardless of the external auditor's decision to use the work of the internal audit function.</p> <p>If the external auditor plans to use the work of the internal audit function, the external auditor shall discuss the planned use of their work with the internal audit function as a basis for coordinating the respective activities.</p>	<p>internal audit function and perform more of the work directly:</p> <ul style="list-style-type: none"> <li>(a) The more judgment is involved in:                     <ul style="list-style-type: none"> <li>(i) Planning and performing relevant audit procedures; and</li> <li>(ii) Evaluating the audit evidence gathered;</li> </ul> </li> <li>(b) The higher the assessed risk of material misstatement at the assertion level with special consideration given to risks identified as significant;</li> <li>(c) The more the internal audit function's organizational status and relevant policies and procedures do not adequately support the objectivity of internal auditors; and</li> <li>(d) The lower the level of competence of the internal audit function.</li> </ul> <p>The external auditor shall also evaluate whether using the work of the internal audit function, in aggregate, to the extent planned 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.</p> <p>If the external auditor plans to use the work of the internal audit function, the external auditor shall discuss the planned use of their work with the internal audit function as a basis for coordinating their respective activities.</p>
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**Using the Work of the Internal Audit Function**

<p>Where the external auditor plans to use the work of the internal audit function, the external auditor shall read the reports of the function relating to such work.</p> <p>In order to have a sufficient basis to support the use of work of the internal audit function, the external auditor shall perform audit procedures that are appropriate in the circumstances on that work to determine its adequacy for purposes of the audit engagement. In determining the adequacy of such work, the external auditor shall evaluate whether:</p> <ul style="list-style-type: none"> <li>(a) The work was properly planned, performed, supervised, reviewed and documented;</li> <li>(b) Adequate audit evidence has been obtained to enable the internal audit function to draw reasonable conclusions; and</li> <li>(c) Conclusions reached are appropriate in the circumstances and any reports prepared by the internal audit function are consistent with the results of the work performed.</li> </ul>	<p>The external auditor shall read the reports of the internal audit function relating to the work of the function that the external auditor plans to use to obtain an understanding of the nature and extent of audit procedures it performed and the related findings.</p> <p>The external auditor shall perform sufficient audit procedures on the body of work of the internal audit function as a whole that the external auditor plans to use to determine its adequacy for purposes of the audit, including evaluating whether:</p> <ul style="list-style-type: none"> <li>(a) The work of the function is properly planned, performed, supervised, reviewed and documented;</li> <li>(b) Sufficient appropriate evidence is obtained to enable the function to draw reasonable conclusions; and</li> <li>(c) Conclusions reached are appropriate in the circumstances and the reports prepared by the function are consistent with the results of the work performed.</li> </ul>
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**Obtaining Direct Assistance from Internal Auditors**

<p>The external auditor may be prohibited by law or regulation from obtaining direct assistance from internal auditors. However, if the external auditor is permitted, and plans, to use internal auditors to provide direct assistance on the audit engagement, the external auditor shall evaluate the degree of objectivity and level of competence of the internal auditors who will be providing such assistance.</p>	<p>The external auditor may be prohibited by law or regulation from obtaining direct assistance from internal auditors. If so, paragraphs 28–35 do not apply.</p> <p>If the external auditor is permitted, and plans, to use internal auditors to provide direct assistance on the audit, the external auditor shall evaluate the existence and significance of threats to objectivity and the level of competence of the internal auditors who will be providing such</p>
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<p>The external auditor shall not obtain the direct assistance of an internal auditor if the internal auditor has:</p> <ul style="list-style-type: none"> <li>(a) a low degree of objectivity, regardless of the internal auditor’s level of competence; or</li> <li>(b) a low level of competence, regardless of internal auditor’s degree of objectivity.</li> </ul> <p>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, the external auditor shall consider:</p> <ul style="list-style-type: none"> <li>(a) The external auditor’s evaluation of the degree of objectivity and level of competence of the internal auditors who will be providing such assistance;</li> <li>(b) The nature and scope of work to be performed by the internal auditors; and</li> <li>(c) The amount of judgment involved in:                 <ul style="list-style-type: none"> <li>(i) Planning and performing relevant audit procedures for particular classes of transactions, account balances and disclosures; and</li> <li>(ii) Evaluating the audit evidence in support of the relevant assertions.</li> </ul> </li> </ul> <p>The external auditor shall not obtain direct assistance from internal auditors:</p> <ul style="list-style-type: none"> <li>(a) Whereby the internal auditors make significant judgments in the audit engagement; or</li> </ul>	<p>assistance.</p> <p>The external auditor shall not use an internal auditor to provide direct assistance if:</p> <ul style="list-style-type: none"> <li>(a) There are significant threats to the objectivity of the internal auditor; or</li> <li>(b) The internal auditor lacks the necessary competence to perform the proposed work.</li> </ul> <p>In determining the nature and extent of work that may be assigned to internal auditors and the nature, timing and extent of direction, supervision and review that is appropriate in the circumstances, the external auditor shall consider:</p> <ul style="list-style-type: none"> <li>(a) The external auditor’s evaluation of the existence and significance of threats to the objectivity and level of competence of the internal auditors who will be providing such assistance;</li> <li>(b) The assessed risk of material misstatement; and</li> <li>(c) The amount of judgment involved in:                 <ul style="list-style-type: none"> <li>(i) Planning and performing relevant audit procedures; and</li> <li>(ii) Evaluating the audit evidence gathered.</li> </ul> </li> </ul> <p>The external auditor shall not use internal auditors to provide direct assistance to perform procedures that:</p> <ul style="list-style-type: none"> <li>(a) Involves making significant judgments in the audit;</li> <li>(b) Relate to higher assessed risks of material misstatement and require</li> </ul>
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<p>(b) To perform procedures to determine whether the work of the internal audit function can be used for purposes of the audit or to provide a sufficient basis to support the external auditor’s use of the work of the internal audit function.</p> <p>The external auditor shall direct, supervise and review the work performed by internal auditors on the engagement in accordance with ISA 220.<sup>7</sup> The level of direction, supervision and review shall recognize that internal auditors are not independent of the entity.</p>	<p>more than limited judgment in performing the relevant audit procedures or evaluating the audit evidence gathered;</p> <p>(c) Relate to work with which the internal auditors have been involved and which has already been, or will be, reported to management or those charged with governance by the internal audit function; or</p> <p>(d) Relate to decisions the external auditor makes in accordance with this ISA regarding the internal audit function and the use of its work or direct assistance.</p> <p>The external auditor shall direct, supervise and review the work performed by internal auditors on the engagement in accordance with ISA 220.<sup>8</sup> In so doing:</p> <p>(a) The nature, timing and extent of direction, supervision, and review shall recognize that the internal auditors are not independent of the entity and be responsive to the outcome of the evaluation of the factors in paragraph 30 of this ISA; and</p> <p>(b) The review procedures shall include the external auditor checking back to the underlying audit evidence for some of the work performed by the internal auditors.</p>
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<sup>7</sup> ISA 220, *Quality Control for an Audit of Financial Statements*

<sup>8</sup> ISA 220, *Quality Control for an Audit of Financial Statements*

## Documentation

<p>If the external auditor uses the work of the internal audit function, the external auditor shall include in the audit documentation:</p> <ul style="list-style-type: none"><li>(a) The evaluation of the degree of objectivity and level of competence of the internal audit function, and whether it applies a systematic and disciplined approach, including quality control;</li><li>(b) The nature and extent of the work used and the basis for that decision; and</li><li>(c) The audit procedures performed by the external auditor to evaluate the adequacy of the work used.</li></ul> <p>The working papers prepared by the internal auditors who provided direct assistance on the audit engagement shall be included in the audit documentation.</p>	<p>If the external auditor uses the work of the internal audit function, the external auditor shall include in the audit documentation:</p> <ul style="list-style-type: none"><li>(a) The evaluation of whether the internal audit function’s organizational status and relevant policies and procedures adequately support the objectivity of the internal audit function and the level of competence of the internal audit function, and whether it applies a systematic and disciplined approach, including quality control;</li><li>(b) The nature and extent of the work used and the basis for that decision; and</li><li>(c) The audit procedures performed by the external auditor to evaluate the adequacy of the work used.</li></ul> <p>If the external auditor uses internal auditors to provide direct assistance on the audit, the external auditor shall include in the audit documentation:</p> <ul style="list-style-type: none"><li>(a) 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;</li><li>(b) The basis for that decision regarding the nature and extent of the work performed by the internal auditors;</li><li>(c) The nature and extent of the external auditor’s review of the audit work in accordance with ISA 230;</li><li>(d) The written agreements obtained from an appropriate representative of the entity and the internal auditors under paragraph 33 of this ISA; and</li><li>(e) The working papers prepared by the internal auditors who provided direct assistance on the audit engagement.</li></ul>
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