

INTOSAI



Practice Note to ISA 610

Using the Work of Internal Auditors

INTOSAI



INTOSAI General Secretariat - RECHNUNGSHOF
(Austrian Court of Audit)
DAMPFSCHIFFSTRASSE 2
A-1033 VIENNA
AUSTRIA

Tel.: ++43 (1) 711 71 • Fax: ++43 (1) 718 09 69

E-MAIL: intosai@rechnungshof.gv.at;
WORLD WIDE WEB: <http://www.intosai.org>

Practice Note¹ to International Standard on Auditing (ISA) 610

Using the Work of Internal Auditors

Background

This Practice Note provides supplementary guidance on ISA 610— Using the Work of Internal Auditors. It is read together with the ISA. ISA 610 is effective for audits of financial statements for periods beginning on or after December 15, 2009. The Practice Note is effective the same date as the ISA.

Introduction to the ISA

ISA 610 deals with the external auditor’s responsibilities relating to the work of internal auditors when the external auditor has determined, in accordance with ISA 315 that the internal audit function is likely to be relevant to the audit.

ISA 610 does not deal with instances when individual internal auditors provide direct assistance to the external auditor in carrying out audit procedures.

Content of the Practice Note

- P1. The Practice Note provides additional guidance for public sector auditors related to:
- (a) Overall Considerations.
 - (b) Determining Whether and to What Extent to Use the Work of the Internal Auditors.

Applicability of the ISA in Public Sector Auditing

- P2. ISA 610 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

¹ All Practice Notes are considered together with ISSAI 1000, “General Introduction to the INTOSAI Financial Audit Guidelines.”

² ISA 315, “Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment.” paragraph 23.

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 and to What Extent to Use the Work of the Internal Auditors

- P4. Public sector auditors in their determination of whether the work of the internal auditors are likely to be objective for the purposes of the audit, as noted in paragraph 9(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 presumed to 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.