

## **Report by Deloitte summarising APB consultation on amendments to ISAs (UK and Ireland) 315 and 610 relating to the use of internal audit**

APB is consulting on amendments to auditing standards relating to the use of internal audit by external audit. As background, since 2005 APB's policy has been to implement International Standards on Auditing (ISAs) issued by the International Audit & Assurance Standards Board (IAASB) as UK auditing standards, subject to inclusion of various "pluses" to add UK and Irish specific supplementary material. APB first adopted ISAs in 2005 as a whole suite of standards; and in 2010 they did the same with the "clarified" standards. This is the first time that an individual standard has been revised by IAASB since 2005 and hence APB is deciding what to do about it.

### **Changes to reliance on internal audit**

APB are consulting on whether to adopt changes to the underlying ISAs that have already been made by IAASB. As such, APB are not consulting on all of the detailed changes to the ISAs made by IAASB; rather, whether they should continue to remain converged and whether any additional UK material is needed to supplement the standards. Broadly speaking:

- The new standards would require a conversation with internal audit as part of the risk assessment in the audit, whether or not the auditor intended to rely on internal audit.
- The new standards set out some slightly more robust requirements for auditor review of key internal audit output in the event that it is relevant to their external audit work.
- The new standards (for the first time) include material in IAASB's standards relating to direct assistance – where internal audit staff perform work under external audit's direction solely for the purpose of the external audit. The UK has explicitly permitted direct assistance since 2009 and APB is proposing to continue this.

### **APB's future processes**

APB have asked whether they should continue to consult on converged standards; we believe they should with the presumption that they adopt ISAs issued by the IAASB with as little additional "plus" material as possible.

APB have also asked whether they should consult when IAASB proposes a new standard in order to gain UK and Irish input when forming their own views on changes to the underlying ISAs. We agree with this as we believe a wider range of

views (including from audited entities and users of financial statements) would help APB provide a higher quality response to IAASB.