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ISA 610 (Revised 2013) Using the Work of Internal Auditors

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ISA 610 (Revised 2013) *Using the Work of Internal Auditors*

(Effective for audits of financial statements for periods ending on or after December 15, 2014)

International Standard on Auditing (ISA) 610 (Revised 2013), *Using the Work of Internal Auditors*, should be read in conjunction with ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*.

Introduction, Objectives and Definitions

International Standards on Auditing: ISA 610.01-14

Introduction

Scope of this ISA

1. 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.

2. This ISA does not apply if the entity does not have an internal audit function. (Ref: Para. A2)

3. 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:

- (a) The responsibilities and activities of the function are not relevant to the audit; or
- (b) Based on the auditor's preliminary understanding of the function obtained as a result of procedures performed under ISA 315 (Revised),¹ the external auditor does not expect to use the work of the function in obtaining audit evidence.

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.

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

4. 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.

5. 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 or using internal auditors to provide direct assistance. The ISA do not override laws or regulations that govern an audit of financial statements.² Such prohibitions or restrictions will therefore not prevent the external auditor from complying with the ISA. (Ref: Para. A31)

² ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph A57

Relationship between ISA 315 (Revised 2019) and ISA 610 (Revised 2013)

6. Many entities establish internal audit functions as part of their internal control and governance structures. The objectives and scope of an internal audit function, the nature of its responsibilities and its organizational status, including the function's authority and accountability, vary widely and depend on the size and structure of the entity and the requirements of management and, where applicable, those charged with governance.

7. ISA 315 (Revised 2019) addresses how the knowledge and experience of the internal audit function can inform the external auditor's understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control, and identification and assessment of risks of material misstatement. ISA 315 (Revised 2019)³ 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.

3 ISA 315 (Revised), paragraph A120

8. Depending on whether the internal audit function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors, the level of competency of the internal audit function, and whether the function applies a systematic and disciplined approach, the external auditor may also be able to use the work of the internal audit function in a constructive and complementary manner. This ISA addresses the external auditor's responsibilities when, based on the external auditor's preliminary understanding of the internal audit function obtained as a result of procedures performed under ISA 315 (Revised), the external auditor expects to use the work of the internal audit function as part of the audit evidence obtained.⁴ Such use of that work modifies the nature or timing, or reduces the extent, of audit procedures to be performed directly by the external auditor.

4 See paragraphs 15 - 25

9. In addition, this ISA also addresses the external auditor's responsibilities if considering using internal auditors to provide direct assistance under the direction, supervision and review of the external auditor.

10. 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 330.⁵

5 ISA 330, *The Auditor's Responses to Assessed Risks*

The External Auditor's Responsibility for the Audit

11. 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 200.⁶ 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.

6 ISA 200, paragraph 14

Effective Date

12. This ISA is effective for audits of financial statements for periods ending on or after December 15, 2014.

Objectives

13. 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:

- (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;

and having made that determination:

- (b) If using the work of the internal audit function, to determine whether that work is adequate for purposes of the audit; and
- (c) If using internal auditors to provide direct assistance, to appropriately direct, supervise and review their work.

Definitions

14. For purposes of the ISA, the following terms have the meanings attributed below:

- (a) Internal audit function - A function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity's governance, risk management and internal control processes. (Ref: Para. A1 - A4)
- (b) Direct assistance - The use of internal auditors to perform audit procedures under the direction, supervision and review of the external auditor.

ISA Application and Other Explanatory Material: ISA 610.A1-A4

Application and Other Explanatory Material

Definition of Internal Audit Function (Ref: Para. 2, 14(a))

A1. 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:

Activities Relating to Governance

- The internal audit function may assess the governance process in its accomplishment of objectives on ethics and values, performance management and accountability, communicating risk and control information to appropriate areas of the organization and effectiveness of communication among those charged with governance, external and internal auditors, and management.

Activities Relating to Risk Management

- 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).
- The internal audit function may perform procedures to assist the entity in the detection of fraud.

Activities Relating to Internal Control

- Evaluation of internal control. The internal audit function may be assigned specific responsibility for reviewing controls, evaluating their operation and recommending improvements thereto. In doing so, the internal audit function provides assurance on the control. 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 control, including those controls that are relevant to the audit.
- Examination of financial and operating information. The internal audit function may be assigned to review the means used to identify, recognize, measure, classify and report financial and operating information, and to make specific inquiry into individual items, including detailed testing of transactions, balances and procedures.
- Review of operating activities. The internal audit function may be assigned to review the economy, efficiency and effectiveness of operating activities, including non-financial activities of an entity.
- Review of compliance with laws and regulations. The internal audit function may be assigned to review compliance with laws, regulations and other external requirements, and with management policies and directives and other internal requirements.

A2. 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 function. Rather, it is the nature of the activities; the extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors; 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.

A3. In addition, those in the entity with operational and managerial duties and responsibilities outside of the internal audit function would ordinarily face threats to their objectivity that would preclude them from being treated as part of an internal audit function for the purpose of this ISA, although they may perform controls that can be tested in accordance with ISA 330.¹² For this reason, monitoring controls performed by an owner-manager would not be considered equivalent to an internal audit function.

¹² See paragraph 10.

A4. While the objectives of an entity's internal audit function and the external auditor differ, the function may perform audit procedures similar to those performed by the external auditor in an audit of financial statements. If so, the external auditor may make use of the function for purposes of the audit in one or more of the following ways:

- To obtain information that is relevant to the external auditor's assessments of the risks of material misstatement due to error or fraud. In this regard, ISA 315 (Revised)¹³ requires the external auditor to obtain an understanding of the nature of the internal audit function's responsibilities, its status within the organization, and the activities performed, or to be performed, and make inquiries of appropriate individuals within the internal audit function (if the entity has such a function); or
- Unless prohibited, or restricted to some extent, by law or regulation, the external auditor, after appropriate evaluation, may decide to use work that has been performed by the internal audit function during the period in partial substitution for audit evidence to be obtained directly by the external auditor.¹⁴

In addition, unless prohibited, or restricted to some extent, by law or regulation, the external auditor may use internal auditors to perform audit procedures under the direction, supervision and review of the external auditor (referred to as "direct assistance" in this ISA).¹⁵

13 ISA 315 (Revised), paragraph 6(a)

14 See paragraphs 15 - 25.

15 See paragraphs 26 - 35.

Evaluating the Internal Audit Function

International Standards on Auditing: ISA 610.15-16

Requirements

Determining Whether, in Which Areas, and to What Extent the Work of the Internal Audit Function Can Be Used

Evaluating the Internal Audit Function

15. 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:

- (a) The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors; (Ref: Para. A5 - A9)
- (b) The level of competence of the internal audit function; and (Ref: Para. A5 - A9)
- (c) Whether the internal audit function applies a systematic and disciplined approach, including quality control. (Ref: Para. A10 - A11)

16. The external auditor shall not use the work of the internal audit function if the external auditor determines that:

- (a) The function's organizational status and relevant policies and procedures do not adequately support the objectivity of internal auditors;
- (b) The function lacks sufficient competence; or

(c) The function does not apply a systematic and disciplined approach, including quality control.
(Ref: Para. A12 - A14)

ISA Application and Other Explanatory Material: ISA 610.A5-A14

Determining Whether, in Which Areas, and to What Extent the Work of the Internal Audit Function Can Be Used

Evaluating the Internal Audit Function

Objectivity and Competence (Ref: Para. 15(a) - (b))

A5. The external auditor exercises professional judgment in determining whether the work of the internal audit function can be used for purposes of the audit, and the nature and extent to which the work of the internal audit function can be used in the circumstances.

A6. The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors and the level of competence of the function are particularly important in determining whether to use and, if so, the nature and extent of the use of the work of the function that is appropriate in the circumstances.

A7. Objectivity refers to the ability to perform those tasks without allowing bias, conflict of interest or undue influence of others to override professional judgments. Factors that may affect the external auditor's evaluation include the following:

- Whether the organizational status of the internal audit function, including the function's authority and accountability, supports the ability of the function to be free from bias, conflict of interest or undue influence of others to override professional judgments. For example, whether the internal audit function reports to those charged with governance or an officer with appropriate authority, or if the function reports to management, whether it has direct access to those charged with governance.
- Whether the internal audit function is free of any conflicting responsibilities, for example, having managerial or operational duties or responsibilities that are outside of the internal audit function.
- Whether those charged with governance oversee employment decisions related to the internal audit function, for example, determining the appropriate remuneration policy.
- Whether there are any constraints or restrictions placed on the internal audit function by management or those charged with governance, for example, in communicating the internal audit function's findings to the external auditor.
- Whether the internal auditors are members of relevant professional bodies and their memberships obligate their compliance with relevant professional standards relating to objectivity, or whether their internal policies achieve the same objectives.

A8. Competence of the internal audit function refers to the attainment and maintenance of knowledge and skills of the function as a whole at the level required to enable assigned tasks to be performed diligently and in accordance with applicable professional standards. Factors that may affect the external auditor's determination include the following:

- Whether the internal audit function is adequately and appropriately resourced relative to the size of the entity and the nature of its operations.
- Whether there are established policies for hiring, training and assigning internal auditors to internal audit engagements.
- Whether the internal auditors have adequate technical training and proficiency in auditing. Relevant criteria that may be considered by the external auditor in making the assessment may include, for example, the internal auditors' possession of a relevant professional designation and experience.
- Whether the internal auditors possess the required knowledge relating to the entity's financial reporting and the applicable financial reporting framework and whether the internal audit function possesses the necessary skills (for example, industry-specific knowledge) to perform work related to the entity's financial statements.
- Whether the internal auditors are members of relevant professional bodies that oblige them to comply with the relevant professional standards including continuing professional development requirements.

A9. Objectivity and competence may be viewed as a continuum. The more the internal audit function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors and the higher the level of competence of the function, the more likely the external auditor may make use of the work of the function and in more areas. However, an organizational status and relevant policies and procedures that provide strong support for the objectivity of the internal auditors cannot compensate for the lack of sufficient competence of the internal audit function. Equally, a high level of competence of the internal audit function cannot compensate for an organizational status and policies and procedures that do not adequately support the objectivity of the internal auditors.

Application of a Systematic and Disciplined Approach (Ref: Para. 15(c))

A10. The application of a systematic and disciplined approach to planning, performing, supervising, reviewing and documenting its activities distinguishes the activities of the internal audit function from other monitoring controls that may be performed within the entity.

A11. Factors that may affect the external auditor's determination of whether the internal audit function applies a systematic and disciplined approach include the following:

- The existence, adequacy and use of documented internal audit procedures or guidance covering such areas as risk assessments, work programs, documentation and reporting, the nature and extent of which is commensurate with the size and circumstances of an entity.
- Whether the internal audit function has appropriate quality control policies and procedures, for example, policies and procedures that would be applicable to an internal audit function (such as those relating to leadership, human resources and engagement performance) or quality control requirements in standards set by the relevant professional bodies for internal auditors. Such bodies may also establish other appropriate requirements such as conducting periodic external quality assessments.

Circumstances When Work of the Internal Audit Function Cannot Be Used (Ref: Para. 16)

A12. The external auditor's evaluation of whether the internal audit function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors, the level of

competence of the internal audit function, and whether it applies a systematic and disciplined approach may indicate that the risks to the quality of the work of the function are too significant and therefore it is not appropriate to use any of the work of the function as audit evidence.

A13. Consideration of the factors in paragraphs A7, A8 and A11 of this ISA individually and in aggregate is important because an individual factor is often not sufficient to conclude that the work of the internal audit function cannot be used for purposes of the audit. For example, the internal audit function's organizational status is particularly important in evaluating threats to the objectivity of the internal auditors. If the internal audit function reports to management, this would be considered a significant threat to the function's objectivity unless other factors such as those described in paragraph A7 of this ISA collectively provide sufficient safeguards to reduce the threat to an acceptable level.

A14. In addition, the IESBA Code¹⁷ states that a self-review threat is created when the external auditor accepts an engagement to provide internal audit services to an audit client, and the results of those services will be used in conducting the audit. This is because of the possibility that the engagement team will use the results of the internal audit service without properly evaluating those results or without exercising the same level of professional skepticism as would be exercised when the internal audit work is performed by individuals who are not members of the firm. The IESBA Code¹⁸ discusses the prohibitions that apply in certain circumstances and the safeguards that can be applied to reduce the threats to an acceptable level in other circumstances.

17 The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), paragraphs 605.4 A2-605.4 A3

18 IESBA Code, paragraphs 605.1-R605.5

How do we comply with the Standards?

[ISA | KAEGHDWC]

1 Not Integrated Audit | Internal Audit | Evaluate the IA function, if we intend to use their work [ISA | 1127]

What do we do?

IF we intend to use the internal audit function's work THEN evaluate the function's competence and objectivity and whether it applies a systematic and disciplined approach

Why do we do this?

We evaluate the internal audit (IA) function when we plan to use their work. Doing this evaluation helps us determine to what extent we may use their work.

Execute the Audit

What does it mean to 'use the work of the IA function'? [ISA | 1127.1300]

Using the work of the IA function, means that we:

- use the results of the IA procedures they have already performed or plan to perform during the financial year;
- determine the nature and extent of their work we want to use, although they work independently from us; and
- evaluate the quality and effectiveness of their work.

Which aspects of the IA function's work may we be able to use as part of our audit?

The following table provides examples of the IA function's work that we can use in our audit.

Type of work	Example
Evaluating the design and implementation and testing the operating effectiveness of controls	The IA function's work may include tests of relevant controls that address the risks of material misstatement (RMMs) that relate to the completeness of accounts payable. The results of the IA function's tests may provide evidence about the effectiveness of controls. We may use these test results to modify the nature and timing, or reduce the extent of, the testing of controls we perform directly.
Substantive procedures involving limited judgment	The IA function may confirm certain accounts receivable. By using the results of their work, we may be able to change the timing of our confirmation procedures or the number of accounts receivable we confirm directly.
Observations of inventory counts	The IA function may observe physical inventory counts at different locations. This may allow us to reduce the number of locations where we perform observations of inventory counts.
Tracing transactions through the information system relevant to financial reporting	The IA function may investigate the data transfers from the sub-ledger to the general ledger every month, and test their completeness and accuracy. We may use the results of their work rather than performing the tests ourselves.
Testing of compliance with regulatory requirements	Sometimes the entity has a legal requirement to respond to customer complaints within 30 days or incur a penalty. The IA function may test the customer complaints response process to see whether the entity has reacted to any complaints within 30 days. We may use the results of this work to provide audit evidence over the amount accrued for non-compliance.

Which aspects of the IA function's work can we NOT use in our audit?

We cannot use the work of the IA function related to walkthroughs. We perform walkthroughs ourselves.

What do we consider when determining whether we intend to use the IA function's work? [ISA | 1127.1400]

We consider using the work of the IA function when it may improve the efficiency of our audit. Even when the IA function executes activities that are relevant to the audit, we may decide that using this work is not efficient.

For example, the IA function may be responsible for activities regarding the design, implementation and operating effectiveness of controls over classes of transaction that are not deemed as significant to the financial statements for our purposes. These activities may be relevant to the audit, but we may decide to implement a substantive approach. We therefore do not use the IA function's work for this area.

What elements do we consider when evaluating the IA function? [ISA | 1127.1500]

We evaluate the IA function by evaluating:

- [its level of competence](#);
- [its objectivity](#); and
- [whether it applies a systematic and disciplined approach, including quality control](#)

How does our evaluation of the IA function affect whether we are able to use its work? [ISA | 1127.1600]

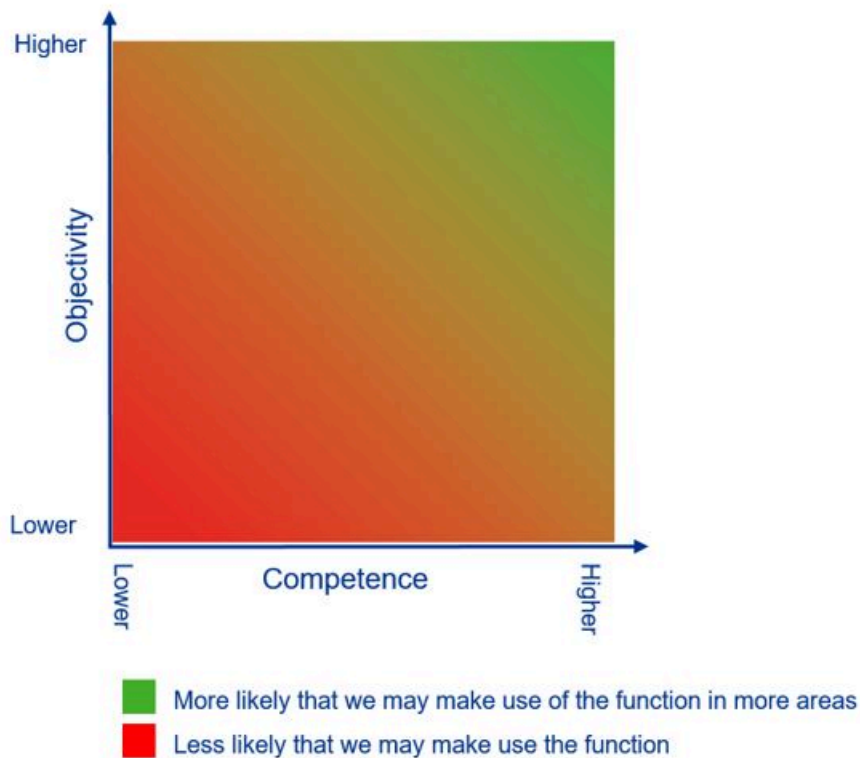
We do not use the work of the IA function when our evaluation leads us to conclude:

- the function lacks competence;
- the function's organizational status or its relevant policies and procedures do not adequately support the internal auditors' objectivity; or
- the function does not apply a systematic and disciplined approach, including quality control.
- These factors may indicate that the risks to the quality of the function's work are too significant, so we do not use any of this work as audit evidence.

How does our evaluation of the IA function affect the extent of work we may use? [ISA | 1127.1700]

We may view the IA function's level of competence and objectivity along a continuum. As shown below, as the objectivity and the level of competence of the IA function increases, it becomes more likely we can use the functions work and the extent of our potential use increases.

Illustration: Objectivity and competence as a continuum



However, an organizational status and relevant policies and procedures that provide strong support for the internal auditor's objectivity cannot compensate for the lack of sufficient competence of the IA function. Equally, a highly competent IA function cannot compensate for an organizational status and policies and procedures that do not adequately support the internal auditor objectivity.

We do not evaluate whether the function applies a systematic and disciplined approach along a continuum. It either does or does not. However, we still consider this approach when we assess the extent of work we can use.

Can we still plan to use the work of the IA function when we expect to encounter issues such as threats to objectivity or lack of competence? [ISA | 1127.1800]

Yes. Even when we encounter or expect a lower level of competence, threats to objectivity or other issues, we may still be able to use the IA function's work. However, the issues may affect the areas in which we use their work and the extent of our use.

When do we evaluate the IA function and whether we can use its work? [ISA | 1127.1900]

We first evaluate the IA function and whether we can use its work during our risk assessment. We then stay alert throughout the audit to matters that may affect our evaluation and whether we can use the IA function's work.

1.1 Not Integrated Audit | Internal Audit | Evaluate the IA function's level of competence [ISA | 1128]

What do we do?

Evaluate the level of competence of the internal audit function by obtaining information, or updating information from prior years, about relevant factors.

Why do we do this?

We evaluate the internal audit (IA) function's level of competence because it directly affects whether, and to what extent, we can use their work.

Execute the Audit

What does 'competence of the IA function' mean? [ISA | 1128.1300]

'Competence of the IA function' is the level of understanding, knowledge and skills that the function has attained and maintains as a whole so it can perform assigned tasks diligently, with appropriate quality, and per applicable standards.

How do we evaluate the IA function's 'level of competence'? [ISA | 1128.1400]

We evaluate the IA function's level of competence by:

- obtaining information about relevant factors that may affect the IA function's competence; and/or
- updating this information from prior years.

We may also:

- observe or shadow the IA function as it performs its work; or
- ask the internal auditors within the function to self-assess their level of competence.

Our evaluation of the IA function's level of competence includes considering both the function as a whole and the individual auditors where we intend to use their work.

What types of information can help us in our evaluation? [ISA | 1128.1500]

Resumes of IA personnel, written policies maintained by the IA function, overall company hiring practices and documentation from the IA function (e.g. audit reports, work papers) can provide information that is useful as we evaluate the level of competence of the IA function.

What relevant factors influence our evaluation of the IA function's competence? [ISA | 1128.1600]

The table below sets out relevant factors we consider when we evaluate the level of competence of the IA function. We consider these factors individually and together.

Factor	What do we consider?	Example that may indicate a higher level of competence	Example that may indicate a lower level of competence
Educational level and	The educational level and professional experience of the internal auditors (e.g. background,	Internal auditors have a higher	Internal auditors don't have a higher

professional experience	years of audit experience, industry experience)	educational level (e.g. college education, post-graduate degree) and more years of audit experience	educational level and have fewer years of audit experience
Professional certification and continuing education	Whether the internal auditors are members of relevant professional bodies or have certifications (e.g. Certified Internal Auditor (CIA), Certified Public Accountant (CPA), Certified Management Accountant (CMA)) that oblige them to comply with relevant internal audit professional standards including continuing professional education requirements (e.g. relevant continuing education course work)	Internal auditors have relevant certifications and adequate technical training	Internal auditors don't have relevant certifications or adequate technical training
Audit policies, programs and procedures	Whether IA maintains and adheres to policies, programs and procedures	Strong, well documented, formal audit policies, programs and procedures	No audit policies, programs and procedures in place or reliance on more general, informal policies
Practices regarding assignment of internal auditors	Whether the entity has policies in place for hiring, training and assigning internal auditors to IA engagements, e.g. whether audit assignments align with each person's qualifications	Strong, well documented, formal policies for hiring, training and assigning internal auditors to IA engagements are in place	No policies for hiring, training and assigning internal auditors to IA engagements are in place or reliance on more general,

			informal policies
Supervision and review of internal auditors' activities	Whether the entity follows specific policies and procedures regarding how audit activities are supervised and reviewed (e.g., minimum review requirements, assignment of more senior personnel to oversee the work of more junior personnel)	Strong, well documented, formal policies and procedures about how activities are supervised and review are followed	No formal policies and procedures are in place over how internal audit activities are supervised and reviewed
Quality of working-paper documentation, reports, and recommendations	Whether the organization produces work papers, reports and recommendations of sufficient quality	The organization maintains formal policies about how they perform and document their work (e.g., methodologies for selecting items, producing work papers and reports)	No formal policies exist to maintain quality or the policies are not adhered to
Evaluation of internal auditors' performance	Whether there are processes followed to periodically evaluate internal auditor's performance (e.g., internal audit surveys, employee annual performance reviews)	A structured performance evaluation process exists to consistently monitor the performance of the internal audit function	No or weak performance evaluation process exists

Are there other factors we might consider in our evaluation? [ISA | 1128.10002]

Yes, there are other factors that may affect our evaluation of the IA function's level of competence, which could include:

Factor	What do we consider?	Example that may indicate a higher level of competence	Example that may indicate a lower level of competence
Resourcing	Whether the IA function is adequately and appropriately resourced relative to the entity's size and the nature of its operations	The IA function is adequately and appropriately resourced relative to the entity's size and the nature of its operation	The IA function is not adequately and appropriately resourced relative to the entity's size and the nature of its operation
Internal auditor's knowledge	Whether the internal auditors have the requisite knowledge of the entity's financial reporting and the applicable financial reporting framework, and whether the IA function has the requisite skills (e.g. industry-specific knowledge) to perform work related to the entity's financial statements	Internal auditors have the requisite knowledge	Internal auditors do not have the requisite knowledge

Does our evaluation change if the entity uses third parties to perform internal audit responsibilities?

[ISA | 1128.10003]

No, we evaluate the same factors whether the entity uses internal resources or employs third parties to perform IA functions. However, we consider the professional reputation of the third parties in our evaluation of the competence of the IA function, which includes the service provider's professional reputation and industry experience.

Can one factor alone cause us to conclude that IA lacks competence? [ISA | 1128.10004]

Considering only one factor is not enough to conclude that we can or cannot use the IA function's work for our audit. We consider all of the factors together as opposed to focusing on only individual factors.

For example, we may note that some internal auditors within the IA function have not yet obtained a professional degree - e.g. a junior associate still working to earn a degree. We may consider this as a lower level of competence, but we may still conclude that the IA function's level of competence is sufficient for our purposes - e.g. where the internal auditors' work is reviewed by people who are considered as more experienced and competent.

1.2 Not Integrated Audit | Internal Audit | Evaluate the IA function's objectivity [ISA | 1129]

What do we do?

Evaluate the internal audit function's objectivity by obtaining information, or updating information from prior periods, about relevant factors.

Why do we do this?

We evaluate the internal audit (IA) function's objectivity to help us to determine whether, and to what extent, we may use the IA function's work. The IA function cannot be independent of the entity, so the function's objectivity matters. When the IA function lacks objectivity, we may decide not to use any of its work as audit evidence.

Execute the Audit

What does 'objectivity of the IA function' mean? [ISA | 1129.1300]

'Objectivity of the IA function' is its ability to perform the allocated tasks without allowing bias, conflict of interest or undue influence of others to override professional judgment. The IA function is considered objective when the function's organizational status and relevant policies and procedures adequately support the internal auditors' objectivity.

How do we evaluate the IA function's objectivity? [ISA | 1129.1400]

We evaluate the IA function's objectivity by obtaining information, or updating information from prior periods, about relevant factors that may affect the IA function's objectivity.

What types of information can help us in our evaluation? [ISA | 1129.1500]

There are several types of information that can be useful as we evaluate the objectivity of the IA function, such as:

- an organizational chart for the entity, which shows the IA function's position within the entity's hierarchy and lines of reporting
- the internal audit charter or similar document which describes the organization's authority, duties, responsibilities and reporting
- internal audit policies, including those that describe how they monitor, resolve and mitigate threats to the objectivity of the IA function
- job descriptions explaining the roles and responsibilities of IA personnel
- communications (e.g. reports, mails, emails, other types of messages etc.) made with management and those charged with governance
- communications sent out to the organization by management or those charged with governance about the role and overall authority of the IA function.

What relevant factors do we obtain information about, or update information from prior periods about, to evaluate the IA function's objectivity? [ISA | 1129.1600]

The table below sets out relevant factors we consider as we evaluate the IA function's objectivity.

Relevant factor	What do we consider?	Examples that may indicate a higher level of objectivity	Examples that may indicate a lower level of objectivity
Organizational status Reporting to an officer of sufficient status Direct access to those charged with governance Who oversees employment decisions related the internal auditor	<p>Whether the IA function reports to an officer of sufficient status or those charged with governance to facilitate broad audit coverage and adequate consideration of, and action on, the IA function's findings and recommendations (i.e. whether the IA function's organizational status, including its authority and accountability, supports its ability to be free from bias, conflict of interest or undue influence of others to override professional judgments).</p> <p>Whether the IA function has direct access and reports regularly to those charged with governance or an officer with appropriate authority; and when the IA function reports to management, whether it has direct access to those charged with governance.</p> <p>Whether those charged with governance or an officer with appropriate authority oversees employment decisions related to the IA function.</p>	<p>The IA function reports directly to those charged with governance or an executive officer with significant status within the entity (e.g. CEO) and has direct access to those charged with governance.</p>	<p>The IA function reports to a managerial level employee (e.g. finance manager, operations manager) and has limited or no direct access to those charged with governance.</p>
Policies to maintain internal auditors' objectivity	<p>Whether adequate policies are in place to maintain the IA function's objectivity about the areas audited. Adequate policies include policies that prohibit internal auditors from:</p>	<p>Adequate policies are in place and followed to maintain the</p>	<p>No such policies are in place, or the policies that are in place are inadequate to</p>

Policies prohibiting internal auditors from auditing areas where: <ul style="list-style-type: none"> relatives are employed in audit-sensitive positions the internal auditors were recently assigned or are scheduled to be assigned 	<ul style="list-style-type: none"> auditing areas where relatives are employed in important or sensitive positions auditing areas where they were recently assigned or are scheduled to be assigned after completing responsibilities in the IA function 	IA function's objectivity.	maintain the IA function's objectivity
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Are there other factors we might consider in our evaluation? [ISA | 1129.10005]

Yes, there are other factors that may affect our evaluation of the IA function's objectivity, which could include:

Factors	What do we consider?	Examples that may indicate a higher level of objectivity	Examples that may indicate a lower level of objectivity
Conflicting responsibilities	Whether the IA function is free of any conflicting responsibilities (e.g. having managerial or operational duties or responsibilities that are outside of the IA function)	Internal auditors have no managerial or operational duties outside of the IA function	Internal auditors have managerial or operational duties outside the IA function
Constraints or restrictions on the IA function	Whether there are any constraints or restrictions on the IA function by management or those charged with governance (e.g. restrictions that limit the communication of IA findings to us)	There are no constraints or restrictions on the IA function (i.e. they have unrestricted access to the organization)	Constraints or restrictions are in place over the IA function that may affect their ability to be objective

Membership of relevant professional bodies	Whether the internal auditors are members of relevant professional bodies and their memberships oblige them to comply with relevant internal audit professional standards relating to objectivity, or whether internal policies achieve the same objectives	Internal auditors are members of relevant professional bodies that oblige them to comply with relevant internal audit professional standards relating to objectivity	Internal auditors are not members of relevant professional bodies, and no internal policies exist that impose obligations relating to objectivity
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Can one factor alone cause us to conclude that IA lacks objectivity? [ISA | 1129.10006]

When only one factor indicates a lack of objectivity, it may not be enough to conclude that we will not use their work in our audit.

For example, if the IA function reports to management, we might consider this as a significant threat to the function's objectivity.

However, if there are safeguards in place, for example, periodic meetings between the IA function and TCWG (without management present) to discuss findings, results and any other issues, may be sufficient to reduce the threat to acceptable level and conclude that the IA function is objective.

1.3 Not Integrated Audit | Internal Audit | Evaluate the IA function's approach [ISA | 1130]

What do we do?

Evaluate whether the internal audit function applies a systematic and disciplined approach, including quality control.

Why do we do this?

We evaluate whether the internal audit (IA) function applies a systematic and disciplined approach to help us determine whether we may use their work.

When the IA function does not apply a systematic and disciplined approach, we may:

- determine that the quality of their work is not sufficient for us to use it as audit evidence; or
- reduce our level of use of the IA function's work.

Execute the Audit

What does 'systematic and disciplined approach' mean? [ISA | 1130.1300]

The IA function follows a 'systematic and disciplined approach' when it follows protocols adequate to the entity's size and circumstances for planning, performing, supervising, reviewing and documenting its activities.

What types of information can help us in our evaluation? [ISA | 1130.1400]

Documents describing internal audit's policies and procedures, specifically about how they conduct their work and the quality control processes they follow, can provide information that can be useful as we evaluate whether the IA function applies a systematic and disciplined approach.

What can we do when the entity doesn't have a formal, documented policy? [ISA | 1130.1500]

We focus on the practices the entity follows. If the entities' practices are good but they are not documented, we may still be able to conclude that they apply a systematic and disciplined approach. However, we also consider communicating the lack of documentation with the entity.

How may we evaluate whether the IA function applies a systematic and disciplined approach? [ISA | 1130.1600]

The table below sets out information that we may obtain, or update from prior years, to consider, individually and together, as we evaluate whether the IA function applies a systematic and disciplined approach:

Factor	What do we consider?	Examples that may indicate that the IA function applies a systematic and disciplined approach	Examples that may indicate that the IA function doesn't apply a systematic and disciplined approach
Existence, adequacy and use of documented IA procedures	<p>The existence, adequacy and use of documented IA procedures or guidance covering such areas as:</p> <ul style="list-style-type: none"> • risk assessments; • work programs; and • documentation and reporting <p>The nature and extent of these procedures or guidance fits the</p>	Adequate audit procedures or guidance are in place and used by the entity that fit its size and circumstances	There are no audit procedures or guidance in place or they are not adequate relative to the entity's size and circumstances

	entity's size and circumstances		
Quality control policies and procedures	Whether the IA function has appropriate quality control policies and procedures (e.g. policies for leadership, human resources and engagement performance) or is subject to quality control requirements in standards set by relevant professional bodies for internal auditors, along with other appropriate requirements (e.g. conducting periodic external quality assessments)	Strong quality control policies are in place and followed	Inappropriate or no quality control policies are in place or policies are not consistently followed

Determining the Nature and Extent of Work of the Internal Audit Function that Can Be Used and Using Their Work

International Standards on Auditing: ISA 610.17-25

Determining the Nature and Extent of Work of the Internal Audit Function that Can Be Used

17. 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. (Ref: Para. A15 - A17)

18. The external auditor shall make all significant judgments in the audit engagement and, to prevent undue use of the work of the internal audit function, shall plan to use less of the work of the function and perform more of the work directly: (Ref: Para. A15 - A17)

- (a) The more judgment is involved in:
 - (i) Planning and performing relevant audit procedures; and
 - (ii) Evaluating the audit evidence gathered; (Ref: Para. A18 - A19)
- (b) The higher the assessed risk of material misstatement at the assertion level, with special consideration given to risks identified as significant; (Ref: Para. A20 - A22)
- (c) The less the internal audit function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors; and
- (d) The lower the level of competence of the internal audit function.

19. The external auditor shall also evaluate whether, in aggregate, using the work of the internal audit function 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. (Ref: Para. A15 - A22)

20. The external auditor shall, in communicating with those charged with governance an overview of the planned scope and timing of the audit in accordance with ISA 260 (Revised),⁷ communicate how the external auditor has planned to use the work of the internal audit function. (Ref: Para. A23)

⁷ ISA 260 (Revised), *Communication with Those Charged with Governance*, paragraph 15

Using the Work of the Internal Audit Function

21. If the external auditor plans to use the work of the internal audit function, the external auditor shall discuss the planned use of its work with the function as a basis for coordinating their respective activities. (Ref: Para. A24 - A26)

22. 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.

23. 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:

- (a) The work of the function had been properly planned, performed, supervised, reviewed and documented;
- (b) Sufficient appropriate evidence had been obtained to enable the function to draw reasonable conclusions; and
- (c) Conclusions reached are appropriate in the circumstances and the reports prepared by the function are consistent with the results of the work performed. (Ref: Para. A27 - A30)

24. The nature and extent of the external auditor's audit procedures shall be responsive to the external auditor's evaluation of:

- (a) The amount of judgment involved;
- (b) The assessed risk of material misstatement;
- (c) The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors; and
- (d) The level of competence of the function;⁸ (Ref: Para. A27 - A29)

and shall include reperformance of some of the work. (Ref: Para. A30)

⁸ See paragraph 18.

25. The external auditor shall also evaluate whether the external auditor's conclusions regarding the internal audit function in paragraph 15 of this ISA and the determination of the nature and extent of use of the work of the function for purposes of the audit in paragraphs 18 - 19 of this ISA remain appropriate.

ISA Application and Other Explanatory Material: ISA 610.A15-A30

Determining the Nature and Extent of Work of the Internal Audit Function that Can Be Used

Factors Affecting the Determination of the Nature and Extent of the Work of the Internal Audit Function that Can Be Used (Ref: Para. 17 - 19)

A15. Once the external auditor has determined that the work of the internal audit function can be used for purposes of the audit, a first consideration is whether the planned nature and scope of the work of the internal audit function that has been performed, or is planned to be performed, is relevant to the overall audit strategy and audit plan that the external auditor has established in accordance with ISA 300.¹⁹

¹⁹ ISA 300, *Planning an Audit of Financial Statements*

A16. Examples of work of the internal audit function that can be used by the external auditor include the following:

- Testing of the operating effectiveness of controls.
- Substantive procedures involving limited judgment.
- Observations of inventory counts.
- Tracing transactions through the information system relevant to financial reporting.
- Testing of compliance with regulatory requirements.

A17. The external auditor's determination of the planned nature and extent of use of the work of the internal audit function will be influenced by the external auditor's evaluation of the extent to which the internal audit function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors and the level of competence of the internal audit function in paragraph 18 of this ISA. In addition, the amount of judgment needed in planning, performing and evaluating such work and the assessed risk of material misstatement at the assertion level are inputs to the external auditor's determination. Further, there are circumstances in which the external auditor cannot use the work of the internal audit function for purpose of the audit as described in paragraph 16 of this ISA.

Judgments in planning and performing audit procedures and evaluating results (Ref: Para. 18(a), 30(a))

A18. The greater the judgment needed to be exercised in planning and performing the audit procedures and evaluating the audit evidence, the external auditor will need to perform more procedures directly in accordance with paragraph 18 of this ISA, because using the work of the internal audit function alone will not provide the external auditor with sufficient appropriate audit evidence.

A19. Since the external auditor has sole responsibility for the audit opinion expressed, the external auditor needs to make the significant judgments in the audit engagement in accordance with paragraph 18.

Significant judgments include the following:

- Assessing the risks of material misstatement;
- Evaluating the sufficiency of tests performed;
- Evaluating the appropriateness of management's use of the going concern assumption;
- Evaluating significant accounting estimates; and
- Evaluating the adequacy of disclosures in the financial statements, and other matters affecting the auditor's report.

Assessed risk of material misstatement (Ref: Para. 18(b))

A20. For a particular account balance, class of transaction or disclosure, the higher an assessed risk of material misstatement at the assertion level, the more judgment is often involved in planning and performing the audit procedures and evaluating the results thereof. In such circumstances, the external auditor will need to perform more procedures directly in accordance with paragraph 18 of this ISA, and accordingly, make less use of the work of the internal audit function in obtaining sufficient appropriate audit evidence. Furthermore, as explained in ISA 200,²¹ the higher the assessed risks of material misstatement, the more persuasive the audit evidence required by the external auditor will need to be, and, therefore, the external auditor will need to perform more of the work directly.

²¹ ISA 200, paragraph A31

A21. As explained in ISA 315 (Revised 2019),²² significant risks are risks assessed close to the upper end of the spectrum of inherent risk and therefore the external auditor's ability to use the work of the internal audit function in relation to significant risks will be restricted to procedures that involve limited judgment. In addition, where the risks of material misstatement is other than low, the use of the work of the internal audit function alone is unlikely to reduce audit risk to an acceptably low level and eliminate the need for the external auditor to perform some tests directly.

²² ISA 315 (Revised 2019), paragraph 12(l)

A22. Carrying out procedures in accordance with this ISA may cause the external auditor to reevaluate the external auditor's assessment of the risks of material misstatement. Consequently, this may affect the external auditor's determination of whether to use the work of the internal audit function and whether further application of this ISA is necessary.

Communication with Those Charged with Governance (Ref: Para. 20)

A23. In accordance with ISA 260 (Revised),²³ the external auditor is required to communicate with those charged with governance an overview of the planned scope and timing of the audit. The planned use of the work of the internal audit function is an integral part of the external auditor's overall audit strategy and is therefore relevant to those charged with governance for their understanding of the proposed audit approach.

23 ISA 260 (Revised), paragraph 15

Using the Work of the Internal Audit Function

Discussion and Coordination with the Internal Audit Function (Ref: Para. 21)

A24. In discussing the planned use of their work with the internal audit function as a basis for coordinating the respective activities, it may be useful to address the following:

- The timing of such work.
- The nature of the work performed.
- The extent of audit coverage.
- Materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures), and performance materiality.
- Proposed methods of item selection and sample sizes.
- Documentation of the work performed.
- Review and reporting procedures.

A25. Coordination between the external auditor and the internal audit function is effective when, for example:

- Discussions take place at appropriate intervals throughout the period.
- The external auditor informs the internal audit function of significant matters that may affect the function.
- The external auditor is advised of and has access to relevant reports of the internal audit function and is informed of any significant matters that come to the attention of the function when such matters may affect the work of the external auditor so that the external auditor is able to consider the implications of such matters for the audit engagement.

A26. ISA 200²⁴ discusses the importance of the auditor planning and performing the audit with professional skepticism, including being alert to information that brings into question the reliability of documents and responses to inquiries to be used as audit evidence. Accordingly, communication with the internal audit function throughout the engagement may provide opportunities for internal auditors to bring matters that may affect the work of the external auditor to the external auditor's attention.²⁵ The external auditor is then able to take such information into account in the external auditor's identification and assessment of risks of material misstatement. In addition, if such information may be indicative of a heightened risk of a material misstatement of the financial statements or may be regarding any actual, suspected or alleged fraud, the external auditor can take this into account in the external auditor's identification of risk of material misstatement due to fraud in accordance with ISA 240.²⁶

24 ISA 200, paragraphs 15 and A20

25 ISA 315 (Revised), paragraph A120

26 ISA 315 (Revised), paragraph A11 in relation to ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

Procedures to Determine the Adequacy of Work of the Internal Audit Function (Ref: Para. 23 - 24)

A27. The external auditor's audit procedures on the body of work of the internal audit function as a whole that the external auditor plans to use provide a basis for evaluating the overall quality of the function's work and the objectivity with which it has been performed.

A28. The procedures the external auditor may perform to evaluate the quality of the work performed and the conclusions reached by the internal audit function, in addition to reperformance in accordance with paragraph 24, include the following:

- Making inquiries of appropriate individuals within the internal audit function.
- Observing procedures performed by the internal audit function.
- Reviewing the internal audit function's work program and working papers.

A29. The more judgment involved, the higher the assessed risk of material misstatement, the less the internal audit function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors, or the lower the level of competence of the internal audit function, the more audit procedures are needed to be performed by the external auditor on the overall body of work of the function to support the decision to use the work of the function in obtaining sufficient appropriate audit evidence on which to base the audit opinion.

Reperformance (Ref: Para. 24)

A30. For purposes of this ISA, reperformance involves the external auditor's independent execution of procedures to validate the conclusions reached by the internal audit function. This objective may be accomplished by examining items already examined by the internal audit function or, where it is not possible to do so, the same objective may also be accomplished by examining sufficient other similar items not actually examined by the internal audit function. Reperformance provides more persuasive evidence regarding the adequacy of the work of the internal audit function compared to other procedures the external auditor may perform in paragraph A28. While it is not necessary for the external auditor to do reperformance in each area of work of the internal audit function that is being used, some reperformance is required on the body of work of the internal audit function as a whole that the external auditor plans to use in accordance with paragraph 24. The external auditor is more likely to focus reperformance in those areas where more judgment was exercised by the internal audit function in planning, performing and evaluating the results of the audit procedures and in areas of higher risk of material misstatement.

How do we comply with the Standards? [ISA | KAEGHDWC]

1 Not Integrated Audit | Internal Audit | If we can use the IA function's work, perform relevant procedures [ISA | 3730]

What do we do?

IF we determine that we can use the work of the internal audit function THEN perform the relevant procedures

Why do we do this?

When we use the IA function's work, they work independently from us - i.e. we use the work they have performed for their purposes, but we do not direct them in that work.

We therefore:

- determine the nature and extent of their work that we want to use; and
- evaluate the quality of their work to determine whether we can use the results of their work as audit evidence.

Execute the Audit

What 'relevant procedures' do we perform if we determine that we can use the work of the IA function?

[ISA | 3730.1500]

When we determine that we can use the IA function's work, we:

- [determine the nature and extent of the IA function's work that we plan to use](#);
- [communicate planned scope and timing of the audit](#);
- [discuss our planned use of their work with them](#);
- [design and perform procedures over their work](#); and
- [evaluate our conclusions regarding the IA function](#).

How do we determine that we can use the work of the IA function? [ISA | 3730.1600]

We determine whether we can use the IA function's work by [evaluating the function's competence, objectivity and approach](#).

1.1 Not Integrated Audit | Internal Audit | Determine the IA function's work we plan to use [ISA |

1133]

What do we do?

Determine the nature and extent of the internal audit function's work that we plan to use.

Why do we do this?

We determine the nature and extent of the internal audit (IA) function's work to help us understand how we can use their work efficiently while still being sufficiently involved in the audit.

Execute the Audit

How do we determine the nature and extent of the IA function's work we plan to use? [ISA | 1133.1300]

We determine the nature and extent of the IA function's work that we plan to use by:

- [considering the nature and scope of the IA function's work](#);
- [considering relevant factors when determining our planned use of the IA function's work](#); and
- [evaluating whether we are still sufficiently involved in the audit](#).

1.1.1 Not Integrated Audit | Internal Audit | Consider the nature and scope of the IA function's work [ISA | 1134]

What do we do?

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 our overall audit strategy and audit plan.

Why do we do this?

We obtain an understanding of work that the internal audit (IA) function has planned or performed so we can determine to what extent we can use the IA function's work in our audit.

Execute the Audit

How do we consider the relevance of the IA function's work to our overall audit strategy and audit plan?

[ISA | 1134.1300]

We may seek to understand the nature and scope of the work that the IA function has planned or performed by:

- discussing the IA function's audit plan with members of the IA function; and
- reviewing a list of reports about the work performed and/or planned during the year.

We then consider the relevance of the IA function's work to our overall strategy and audit plan by determining what work we can use in our audit.

[Which aspects of the IA function's work can we use as part of our audit?](#) [ISA | 1134.8481]

The following table provides examples of the IA function's work that we can use in our audit.

Type of work	Example
Testing the operating effectiveness of controls	The IA function's work may include tests of relevant controls that address the risks of material misstatement (RMMs) that relate to the completeness of accounts payable. The results of the IA function's tests may provide evidence about the effectiveness of controls. We may

	use these test results to modify the nature and timing, or reduce the extent of, the testing of controls we perform directly.
Testing the D&I of a GITC	<p>The IA function's work may include testing the design and implementation of a GITC which requires an approved access request ticket to set up new user access to the IT system that is commensurate with the new user's job responsibilities. This GITC addresses the following RAFIT:</p> <p>1.4 APD - Logical access to users and accounts (including shared or generic accounts) that can perform privileged tasks and functions within IT systems is inappropriate (i.e., unauthorized or not commensurate with job responsibilities).</p> <p>We may use the IA function's work rather than performing the evaluation of this GITC ourselves.</p>
Substantive procedures involving limited judgment	The IA function may confirm certain accounts receivable. By using the results of their work, we may be able to change the timing of our confirmation procedures or the number of accounts receivable we confirm directly.
Observations of inventory counts	The IA function may observe physical inventory counts at different locations. This may allow us to reduce the number of locations where we perform observations of inventory counts.
Tracing transactions through the information system relevant to financial reporting	The IA function may investigate the data transfers from the sub-ledger to the general ledger every month and test their completeness and accuracy. We may use the IA function's work rather than performing the tests ourselves.
Testing of compliance with regulatory requirements	Sometimes the entity has a legal requirement to respond to customer complaints within 30 days or incur a penalty. The IA function may test the customer complaints response process to see whether the entity has reacted to any complaints within 30 days. We may use the

results of this work to provide audit evidence over the amount accrued for non-compliance.
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What areas can't we use the IA function's work? [ISA | 1134.10019]

Examples of work of the IA function that we cannot use include the following:

- understanding the flow of transactions related to the relevant assertions, including how these transactions are initiated, authorized, processed and recorded;
- identifying process risk points (PRPs); and
- identifying the controls that management has implemented to address PRPs.

Furthermore, we have ultimate responsibility for the auditor's report on the financial statements, so we do not use the IA function's assessments or evaluations that relate to significant judgments in the audit engagement. Significant judgments include:

- identifying RMMs and assessing the inherent and control risks associated with the combined assessed risk (CAR);
- evaluating the materiality of misstatements;
- evaluating the sufficiency of tests performed;
- evaluating whether:
 - management's use of the going concern assumption is appropriate; and
 - there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time;
- evaluating significant accounting estimates;
- evaluating the adequacy of disclosures in the financial statements; and
- evaluating other matters affecting the auditor's report.

1.1.2 Not Integrated Audit | Internal Audit |

Consider relevant factors when determining our planned use of the IA function's work [ISA | 1135]

What do we do?

Consider relevant factors when determining the nature and extent of the internal audit function's work we plan to use

Why do we do this?

When we determine how we plan to use the internal audit (IA) function's work, we consider relevant factors which helps us to maintain responsibility for the significant judgements and prevent inappropriate use of the IA function's work.

Execute the Audit

What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use? [ISA | 1135.1300]

There are several factors that influence whether we use more or less of the IA function's work. The table below sets out the factors we consider for each area where we plan to use the IA function's work.

Factor	Consideration
The level of judgment involved in planning and performing the audit procedures and evaluating the audit evidence	<p>The higher the level of judgment, the less likely it is that we can use the IA function's work.</p> <p>The level of judgment may be influenced by:</p> <ul style="list-style-type: none"> the degree of subjectivity (e.g. when an entity selects an assumption for an estimate with no previous experience or external sources that increase the level of judgment); whether a transaction is routine or non-routine (i.e. routine transactions, like recording prepaid assets, involve a low level of judgment, but non-routine transactions, such as determining the actuarial assumptions for a defined benefit pension plan, involve a high level of judgment); and the uncertainty involved in a transaction. <p>Areas with a greater level of judgment may include:</p> <ul style="list-style-type: none"> valuation of assets and liabilities involving significant accounting estimates (e.g., those accounting estimates associated with a significant or elevated inherent risk); existence and disclosure of related-party transactions, contingencies or uncertainties; and subsequent events. <p>Areas with a lower level of judgment may include existence of cash, prepaid assets, and fixed-asset additions.</p>
The level of the risk associated with the control (RAWTC)	<p>The higher the RAWTC, the less likely we can use the results of the IA function's work over that control.</p> <p>As the RAWTC increases, the level of judgement involved in testing the control also increases. As a result, our ability to use the IA function's work decreases.</p> <p>When the RAWTC is significant or significant+, we are unlikely to be able to use the IA function's work.</p>
Combined assessed risk (CAR)	<p>When CAR is higher, there is often more judgment in planning and performing the audit procedures and evaluating their results. As such, we are less likely to use the results of the IA function's work. We also perform more of the work directly and accordingly, make less use of the work of the IA function.</p>

	<p>In particular, we are less likely to use the IA function's work over areas where inherent risk is assessed as greater than Base, as these are areas where the judgment is often more than limited.</p> <p>When we reassess CAR during the audit (e.g. a control test failed that we planned to rely on in assessing CAR), we consider how this change influences our decision about using the IA function's work.</p> <p>When CAR increases, we may change our planned use of the IA function's work and perform more work ourselves.</p>
If the RMM is significant	<p>A significant risk associated with the RMMs normally indicates a high level of judgment and/or significance to the audit.</p> <p>As such, using the results of the IA function's work is likely inappropriate.</p>
The extent of the IA function's organizational status and relevant policies and procedures supporting the objectivity of the internal auditors	<p>The lower we determine objectivity of the IA function to be, the less we can use the results of their work and the more work we perform ourselves.</p> <p>When we make this determination, we take into account our initial assessment of their objectivity, as well as their objectivity related to the work we plan to use.</p>
The level of competence of the IA function	<p>When we determine that the IA function does not have the competence to perform certain procedures, we cannot use the results of their work in that area.</p>

What areas of the audit are we unable to use the IA function's work? [ISA | 1135.10126]

Examples of work of the IA function that we cannot use include the following:

- understanding the flow of transactions related to the relevant assertions, including how these transactions are initiated, authorized, processed and recorded;
- identifying process risk points (PRPs); and
- identifying the controls that management has implemented to address PRPs.

Furthermore, we have ultimate responsibility for the auditor's report on the financial statements, so we do not use the IA function's assessments or evaluations that relate to significant judgments in the audit engagement. Significant judgments include:

- identifying risks of material misstatements (RMMs) and assessing the inherent and control risks associated with the combined assessed risk (CAR);
- evaluating the sufficiency of tests performed;
- evaluating the materiality of misstatements;
- evaluating whether:

- management's use of the going concern assumption is appropriate; and
- there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time;
- evaluating significant accounting estimates;
- evaluating the adequacy of disclosures in the financial statements; and
- evaluating other matters affecting the auditor's report.

1.1.3 Not Integrated Audit | Internal Audit |

Evaluate whether we will still be sufficiently involved in the audit [ISA | 1136]

What do we do?

Evaluate whether, in aggregate, we will still be sufficiently involved in the audit considering the extent to which we plan to use the internal audit function's work and/or internal auditors to provide direct assistance.

Why do we do this?

When we finish planning the nature and extent of our use of the internal audit (IA) function's work and/or the use of internal auditors providing direct assistance, we then consider whether this plan will keep us sufficiently involved in the audit. We make this evaluation because:

- we are solely responsible for the audit opinion expressed; and
- our use of the IA function's work and/or internal audit to provide direct assistance does not reduce this responsibility.

The internal auditors may perform audit procedures in a similar way to us, but they are not independent of the entity. As such, we limit and control their involvement so we can:

- meet all the relevant requirements included in the auditing standards; and
- secure that we are the ones making all significant judgments during the audit.

Execute the Audit

[How do we evaluate whether we will still be sufficiently involved in the audit? \[ISA | 1136.1300\]](#)

When we evaluate whether we are sufficiently involved in the audit, we consider the internal auditor's involvement in aggregate. This includes the extent of direct assistance we are planning together with our planned use of the IA function's work in obtaining audit evidence.

We do not necessarily perform a quantitative analysis to evaluate the IA function's work - e.g. percentage of hours spent by the IA personal in respect of the work being used by us relative to total engagement hours. Rather, we evaluate our audit plan to confirm we will:

- be able to meet all the relevant requirements included in our audit manual; and
- make the significant judgments during the audit (refer to questions '[What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use?](#)'

and ['What work cannot be assigned to internal auditors providing direct assistance?' for further information about significant judgements\).](#)

[What can we do if we conclude that we will not be sufficiently involved in the audit based on our planned use of IA function's work and/or of internal auditors to provide direct assistance? \[ISA | 1136.1400\]](#)

When we conclude that we are not sufficiently involved in the audit, we may change our planned use of the IA function's work and/or of the internal auditors to provide direct assistance. The table below sets out examples of the changes we may make.

Planned use of the IA function's work	Planned use of internal auditors to provide direct assistance
We increase the extent of planned procedures that we will perform directly.	We reduce the extent of direct assistance we are planning, especially in those areas that involve some judgement.
We plan to reperform more of their work.	

1.2 Communicate planned scope and timing of the audit [ISA | 1241]

What do we do?

Communicate with those charged with governance an overview of the planned scope and timing of the audit, including significant risks and how we plan to use internal audit.

Why do we do this?

We communicate the planned scope and timing of the audit to those charged with governance because it may assist those charged with governance to better understand a) our work, b) our views regarding the significant risks, which we give special audit consideration, and c) how the internal auditors and we can work together in a constructive and complementary manner.

In addition, our communication gives those charged with governance the opportunity to view our planned scope of the audit and provide us with feedback on the risks they are concerned about. This feedback could inform our audit strategy and risk assessment.

Execute the Audit

[What do we communicate to those charged with governance regarding the planned scope and timing of the audit? \[ISA | 1241.1300\]](#)

We communicate the planned scope and timing of the audit.

As part of communicating the planned scope of the audit, we communicate:

- significant risks identified by us;
- how we have planned to use the work of the internal audit function, if applicable; and
- the nature and extent of the planned use of internal auditors to provide direct assistance, if applicable, so as to reach a mutual understanding with those charged with governance that such use is not excessive in the circumstances of the engagement.

Where can we find additional guidance related to communications around the planned scope and timing of the audit come from? [ISA | 1241.11175]

Communication matter	Location of additional guidance
Planned scope and timing of the audit	The information to communicate the planned scope, including the timing of the audit is determined during risk assessment and planning. Specifically, this information is the result of performing the activity " Establish the overall audit strategy ".
Significant risks identified by us	The information to communicate significant risks identified during our risk assessment is determined while performing the activity " Identify significant risks ". We communicate all significant risks, including the risk of management override of controls.
How we plan to use the work of the internal audit function, if applicable	The information to communicate how we plan to use the work of internal audit is determined while performing the activities in the chapter on internal audit (ISA 610).
The nature and extent of the planned use of internal auditors to provide direct assistance, if applicable, so as to reach a mutual understanding with those charged with governance that such use is not excessive in the circumstances of the engagement	The information to communicate the nature and extent of the planned use of internal audit to provide direct assist is determined while performing the activity " Determine the nature and extent of work assigned to internal auditors ".

What else do we think about in our communication of the planned scope and timing of the audit? [ISA | 1241.11176]

When we are communicating the planned scope and timing of the audit to those charged with governance, we think about the detail that is appropriate. In particular, we find a level of detail that is meaningful and clear, but not so detailed that it compromises the effectiveness of our audit procedures.

For example, communicating the nature and timing of detailed audit procedures may reduce the effectiveness of those procedures by making them too predictable.

We may also consider whether to exclude management from such communications. If we are going to provide those charged with governance with specific details that could compromise the effectiveness of the audit procedures, we may consider it appropriate that management not be present during the communication.

What is the form of our communication to those charged with governance regarding our planned scope and timing of the audit? [ISA | 1241.1400]

We may communicate to those charged with governance our planned scope and timing of the audit orally or in writing. Due to the nature of these communications, we usually communicate orally and in writing.

When do we communicate to those charged with governance our planned scope and timing of the audit? [ISA | 1241.1500]

We communicate matters to those charged with governance timely. In the case of our communication on our planned scope and timing of the audit, communicating early may allow us to more effectively incorporate the additional risks informed by those charged with governance, if any, into our audit strategy and audit plan.

1.3 Not Integrated Audit | Internal Audit | Discuss our planned use of the IA function with them [ISA | 1137]

What do we do?

Discuss our planned use of the internal audit function with them as a basis for coordinating our activities with theirs.

Why do we do this?

We discuss our plan with the internal audit (IA) function so that we can coordinate our activities effectively and there is a common understanding of how we will use their work in our audit.

Execute the Audit

What items may we discuss with the IA function about our planned use of their work? [ISA | 1137.1300]

When we discuss the planned use of the IA function's work, we may discuss:

- the timing of their work;
- the nature of the work performed;
- the extent of audit coverage (including the number and locations of components to be included, if relevant);
- materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures) and performance materiality;

- proposed methods of item selection and sample sizes;
- documentation of the work performed; and
- review and reporting procedures.

How can these discussions help our coordination with the IA function?

When the IA function has already developed part of its internal audit plan and we plan to use some of that work in our audit, we do not have any influence over their work - i.e. over any of the parameters listed above. We therefore consider their competence, objectivity, systematic and disciplined approach and the planned documentation of their work when we are deciding whether to use it.

It can be helpful to discuss the details of IA's work before it is completely planned and performed, as this may allow us to have some influence on the details of their work and increase the likelihood that we can use their work for our purposes.

For example, we may discuss the method of item selection the IA function is planning to use when they can't investigate the whole population. If the internal auditors plan to use a haphazard method for a selection and we think the statistical method is more appropriate, we may suggest that they consider a statistical method instead.

This doesn't mean that we give them our Monetary Unit Sampling (MUS) tool to make the selection. They use their own tools for selection purposes, which meet their own policies and protocols. If they can't or don't want to use the selection method that we think is appropriate, then we may not be able to use that work.

To illustrate further, suppose that an entity has 20 stores and we determine that we plan to attend the inventory count at 10 stores. Suppose also that the IA function plans to attend the inventory count at five stores independent of our audit procedures.

We may use the results of their work when:

- the timing, selection method and sample sizes are appropriate; and
- they follow similar procedures as we do when we attend an inventory count.

If we are able to reach an understanding through our discussions that these parameters are in line with our methodology, we could then attend the inventory count at 5 stores IA does not plan to visit and cover 10 stores in total. But if we can't use their work - e.g. because their selection method or the sample sizes are not in line with our methodology - then we attend the inventory count at 10 stores on our own.

The last example also shows the importance of planning discussions with the IA function. If misunderstandings during these discussions cause the internal auditors to not follow the agreed procedures, we probably could not go back and attend the inventory count for those five stores because the counts have already completed.

How can we effectively coordinate our work with the IA function? [ISA | 1137.1400]

During the audit, there are many different ways for us to coordinate with the IA function, including:

- holding periodic meetings with them;
- discussing possible accounting and auditing issues;
- scheduling internal audit work;

- having access to their working papers; and
- reviewing their reports.

We aim to have two-way communication with the IA function where we:

- obtain information from them on their reports and on any significant matters that may affect our work so that we can consider the implications for our audit; and
- inform them about significant matters that may affect the IA function.

We are not precluded from using work that the IA function has already performed. However, when we increase our communication before the IA function performs the work, coordinating our activities with theirs is likely to be most effective.

1.4 Not Integrated Audit | Internal Audit | Design and perform procedures over the IA function's work [ISA | 1138]

What do we do?

Design and perform procedures to evaluate the overall quality and effectiveness of the internal audit function's work.

Why do we do this?

When we use the work of the internal audit (IA) function, we perform procedures to evaluate the quality and effectiveness of their work.

Our goals are to:

- evaluate whether we can use the IA function's findings as audit evidence; and
- monitor the appropriateness of our decisions about the use of their work, the extent of their work and whether we remained sufficiently involved in the audit.

Execute the Audit

What do we do to design and perform procedures to evaluate the quality and effectiveness of the IA function's work? [ISA | 1138.1300]

We design and perform procedures to evaluate the nature and extent of the IA function's work by:

- [reading the IA function's reports](#);
- [designing procedures over the IA function's work](#); and
- [performing procedures over the IA's work](#).

1.4.1 Not Integrated Audit | Internal Audit | Read the IA function's reports [ISA | 1139]

What do we do?

Read the reports of the internal audit function, which relate to the function's work that we plan to use, to understand the nature and extent of the audit procedures performed and the related findings

Why do we do this?

We read the reports of the internal audit (IA) function that relate to the work we plan to use so we can get an overview of their procedures and findings. This also helps us plan our audit procedures over the IA function's work.

Execute the Audit

What do we focus on when we read the IA function's reports? [ISA | 1139.1300]

When we read the IA function's reports, our goal is to get more information about the entity and the IA function. We may focus on:

- signs of the IA function's objectivity and competence, or lack of them;
- risks that we were not previously aware of;
- judgments made;
- findings and conclusions of the reports; and
- consistency between work performed and conclusions reached.

What do we do if the IA function's reports reveal new risks?

When reading the IA function's reports leads us to identify a new risk, we analyze how that risk may affect our audit strategy and plan. When that risk is significant, we review the IA function's work. This allows us to learn more about the risk and independently assess its impact to our audit plan. We may also discuss the new risk with the entity's management and may modify our audit strategy and plan.

1.4.2 Not Integrated Audit | Internal Audit | Design procedures over the IA function's work [ISA | 1140]

What do we do?

Design procedures to evaluate the overall quality and effectiveness of the internal audit function's work, whose nature and extent are responsive to our evaluation of relevant factors AND that include testing some of their work including by reperformance.

Why do we do this?

We design procedures to review the internal audit (IA) function's work because we want to evaluate the overall quality and effectiveness of their work before we use their work's results as audit evidence.

Execute the Audit

What 'relevant factors' do we consider when designing procedures to evaluate the IA function's work? [ISA | 1140.1300]

When we design procedures to evaluate the overall quality and effectiveness of the IA function's work, we consider the same factors as we did when we planned the nature and extent of the IA function's work (see question ['What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use?'](#) for further information), which are:

- the amount of judgment involved;
- the risk associated with the control (RAWTC);
- the combined assessed risk (CAR);
- the extent of the IA function's organizational status and relevant policies and procedures supporting the internal auditors' objectivity; and
- the IA function's level of competence.

Our audit procedures over the IA function's work respond to these factors.

[What types of procedures may we design to test the IA function's work? \[ISA | 1140.1400\]](#)

We may perform a variety of procedures to help us evaluate the quality of IA function's work, which can include:

- inquiry
- observation
- inspection, and
- reperformance

However, our procedures include reperformance of some of the work of the IA function.

[Do we design procedures to test each area of the IA function's work that we use? \[ISA | 1140.1500\]](#)

No. For all areas, we plan to read all the relevant reports to understand the IA function's conclusions for all the work that we intend to use as audit evidence. However, we use professional judgment to:

- design the nature and extent of the procedures we perform on the IA function's work; and
- determine the areas we plan to test (including reperformance).

In applying this judgment, we may design procedures to test the results of the IA function's work that are more complex - e.g. where more judgment is involved, the RAWTC is elevated or we want to make sure that the IA function has the appropriate level of objectivity and competence. We plan procedures across the different areas where we intend to use their work's results as audit evidence, focusing on testing the areas where different skill sets are involved to perform the procedures.

For example, we might use the IA function's work to test the existence of cash and fixed asset additions, the operating effectiveness of controls over inventory and the observation of inventory counts at eight locations. Since the procedures for testing the existence of cash and fixed asset additions are similar (inspecting documents that support transactions/balances), it may suffice to perform procedures to test only one of those areas.

We also perform procedures IA function's work over the operating effectiveness of controls and the observation of inventory count since those are different types of testing. However, testing them over only a selection of the locations may suffice to allow us to evaluate their work's overall quality and effectiveness for all the locations.

What does it mean to test the IA function's work by 'reperformance'? [ISA | 1140.1600]

'Reperformance' is an independent execution of procedures by us to validate the conclusions reached by the IA function. We examine some of the controls, transactions or balances that the internal auditors examined, reperform the same procedures as IA and compare our independent test results with those reached by the IA function. This entails using the same information as the control operator/ IT systems.

Where this is not possible, we may be able to examine similar controls, transactions or balances that the internal auditors did not actually examine. In these situations, engagement teams are encouraged to consult with DPP.

1.4.3 Not Integrated Audit | Internal Audit | Perform procedures over the IA function's work [ISA | 1141]

What do we do?

Perform procedures to evaluate the overall quality and effectiveness of the internal audit function's work, including evaluating relevant factors in relation to their work.

Why do we do this?

We perform procedures to review the internal audit (IA) function's work because we want to evaluate the overall quality and effectiveness of their work before we use the results as audit evidence.

Execute the Audit

What procedures do we perform to evaluate the IA function's work? [ISA | 1141.1300]

We perform the procedures we designed to test some of the IA function's work, including reperformance (refer to question ['What 'relevant factors' do we consider when designing procedures to evaluate the IA function's work?'](#) for additional information).

What 'relevant factors' do we evaluate in relation to the IA function's work? [ISA | 1141.1400]

We consider several factors when we evaluate the overall quality of the IA function's work, which includes:

Factors	Our considerations may include
Scope of work is appropriate to meet the objectives	Thinking about whether the procedures performed were appropriate, meaning they are relevant and consistent with how we would perform the work ourselves.
Audit programs are adequate	Inspecting the details of their audit programs to determine if they are sufficient to allow for reperformance and to understand what procedures were performed.

Working papers adequately document the work performed, including supervision and review	Inspect their working papers to see whether they are sufficiently detailed to demonstrate what was actually done, items selected, etc. We may also look for evidence that the working papers were properly reviewed in accordance with IA policies.
Conclusions are appropriate in the circumstances	Comparing the conclusions reached by IA with the facts presented in their working papers.
Reports are consistent with the results of work performed	Inspecting their reports to see whether the content mirrors what we learned from inspecting their documentation.

What may we do if we identify deficiencies in the IA function's work? [ISA | 1141.1500]

When we find deficiencies in the IA function's work, we evaluate whether the deficiency is isolated or systematic, or shows a lack of competency. When we are unsure about our ability to draw a conclusion, we extend our audit procedures to test the IA function's work by increasing the nature and/or extent of our testing.

If we learn that their work is not appropriate, we do not use it as audit evidence.

1.5 Not Integrated Audit | Internal Audit | Evaluate our conclusions regarding the IA function [ISA | 1151]

What do we do?

Evaluate whether our conclusions regarding the internal audit function including the use of internal auditors to provide direct assistance and our determination of the nature and extent of the use of their work, remain appropriate.

Why do we do this?

During the audit, we might obtain information and facts that we didn't know when we decided on the nature and extent of our use of the IA function. Considering the new information and facts may lead us to revise our initial decisions. Without reconsidering this information, we may inappropriately use the IA function's work in our audit.

Execute the Audit

When do we evaluate whether our conclusions regarding the IA function remain appropriate? [ISA | 1151.1300]

We evaluate whether our conclusions about the IA function are still appropriate before we complete the audit.

Which conclusions regarding the IA function do we evaluate? [ISA | 1151.1400]

We evaluate whether the following conclusions are still appropriate:

- our conclusion on the IA function's competence and objectivity, and whether it applies a systematic and disciplined approach (see activity '[Evaluate the IA function, if we intend to use their work](#)' for further information); and
- our determination of the nature and extent of use of the IA function's work in the audit, including:
 - the relevant factors we considered when we determined the nature and extent of the IA function's work (see question '[What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use?](#)' for further information); and
 - our initial determination that we are sufficiently involved in the audit, considering the use of the IA function's work together with our use of internal auditors to provide direct assistance (see activity '[Evaluate whether we will still be sufficiently involved in the audit](#)' for further information).

[How do we evaluate whether our conclusions on the IA function's competence, objectivity and whether it applies a systematic and disciplined approach remain appropriate?](#) [ISA | 1151.1500]

We compare:

- the initial information and facts we had at the planning phase about the IA function's competence, objectivity, and systematic and disciplined approach; and
- information and facts we have before we complete the audit, considering the conclusions we have drawn from their reports and the procedures we performed on their work.

For example, suppose we initially concluded that the IA function is objective based on the function's organizational status and relevant policies and procedures. However, when we read their reports and perform procedures on their work, we observe bias in the entity's favor. We therefore re-evaluate our initial conclusion, don't use the IA function's work, and perform their work ourselves.

[What do we do if we determine that our evaluations regarding the IA function are no longer appropriate?](#)

[ISA | 1151.1600]

When we determine that our initial conclusions on the IA function's competence and objectivity and whether it applies a systematic and disciplined approach are no longer appropriate, we can no longer use the IA function's work. We instead perform the work we had planned the IA function to perform ourselves or design and perform alternative procedures

[How do we evaluate whether the relevant factors we considered when determining the nature and extent of the IA function's work remain appropriate?](#) [ISA | 1151.1700]

We consider whether the relevant factors originally considered have changed during the audit (see question '[What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use?](#)' for further information). Changes in these factors may cause us to reconsider the nature and/or extent of IA function's work we can use in our audit.

For example, during an audit, suppose we reassessed the combined assessed risk (CAR) for an assertion of an account because a control we planned to rely on was deficient. If we used the IA

function's work to get audit evidence for this assertion, we reconsider how this change in CAR influences our decision about the nature and extent of the IA function's work. We may decide to:

- revise our initial plan by removing their involvement, ignoring their work and performing the procedures by ourselves; or
- design more audit procedures over their work.

How do we evaluate whether our initial determination that we are sufficiently involved in the audit remains appropriate? [ISA | 1151.1800]

When we evaluate the sufficiency of our involvement in the audit, we consider the internal auditor's involvement in aggregate - i.e. the extent we used internal auditors to provide direct assistance together with the extent we used the IA function's work obtaining audit evidence.

We do not necessarily perform a quantitative analysis to evaluate the IA function's work - e.g. percentage of hours spent by the IA personal in respect of the work being used by us relative to total engagement hours. Rather, we evaluate our audit plan to make sure that we will:

- be able to meet all the relevant requirements included in our audit manual; and
- make the significant judgements during the audit (refer to questions '[What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use?](#)' and '[What work cannot be assigned to internal auditors providing direct assistance?](#)' for further information about significant judgements)

What can we do if we conclude that we are not sufficiently involved in the audit when using the work of the IA function and/or the internal auditors to provide direct assistance? [ISA | 1151.1900]

The table below sets out examples of how we may change our plans when we conclude that we are not sufficiently involved in the audit.

Planned use of the IA function's work	Planned use of internal auditors to provide direct assistance
We increase the extent of planned procedures that we will perform directly.	We reduce the extent of direct assistance we are planning, especially in those areas that involve some judgement.
We plan to re-perform more of their work.	

Determining Whether Internal Auditors Can Be Used to Provide Direct Assistance

International Standards on Auditing: ISA 610.26-28

Determining Whether, in Which Areas, and to What Extent Internal Auditors Can Be Used to Provide Direct Assistance

Determining Whether Internal Auditors Can Be Used to Provide Direct Assistance for Purposes of the Audit

26. The external auditor may be prohibited by law or regulation from obtaining direct assistance from internal auditors. If so, paragraphs 27 - 35 and 37 do not apply. (Ref: Para. A31)

27. If using internal auditors to provide direct assistance is not prohibited by law or regulation, and the external auditor 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 assistance. The external auditor's evaluation of the existence and significance of threats to the internal auditors' objectivity shall include inquiry of the internal auditors regarding interests and relationships that may create a threat to their objectivity. (Ref: Para. A32 - A34)

28. The external auditor shall not use an internal auditor to provide direct assistance if:

- (a) There are significant threats to the objectivity of the internal auditor; or
- (b) The internal auditor lacks sufficient competence to perform the proposed work. (Ref: Para. A32 - A34)

ISA Application and Other Explanatory Material: ISA 610.A31-A34

Determining Whether, in Which Areas and to What Extent Internal Auditors Can Be Used to Provide Direct Assistance

Determining Whether Internal Auditors Can Be Used to Provide Direct Assistance for Purposes of the Audit (Ref: Para. 5, 26 - 28)

A31. In jurisdictions where the external auditor is prohibited by law or regulation from using internal auditors to provide direct assistance, it is relevant in the circumstances of a group audit, for the group auditor to consider whether the prohibition also extends to component auditors and, if so, to address this in the communication to the component auditors.²⁷

²⁷ ISA 600 (Revised), *Special Considerations-Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraph 25(a)

A32. As stated in paragraph A7 of this ISA, objectivity refers to the ability to perform the proposed work without allowing bias, conflict of interest or undue influence of others to override professional judgments. In evaluating the existence and significance of threats to the objectivity of an internal auditor, the following factors may be relevant:

- The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors.²⁸

- Family and personal relationships with an individual working in, or responsible for, the aspect of the entity to which the work relates.
- Association with the division or department in the entity to which the work relates.
- Significant financial interests in the entity other than remuneration on terms consistent with those applicable to other employees at a similar level of seniority.

Material issued by relevant professional bodies for internal auditors may provide additional useful guidance.

28 See paragraph A7

A33. There may also be some circumstances in which the significance of the threats to the objectivity of an internal auditor is such that there are no safeguards that could reduce them to an acceptable level. For example, because the adequacy of safeguards is influenced by the significance of the work in the context of the audit, paragraph 30(a) and (b) prohibits the use of internal auditors to provide direct assistance in relation to performing procedures that involve making significant judgments in the audit or that relate to higher assessed risks of material misstatement where the judgment required in performing the relevant audit procedures or evaluating the audit evidence gathered is more than limited. This would also be the case where the work involved creates a self-review threat, which is why internal auditors are prohibited from performing procedures in the circumstances described in paragraph 30(c) and (d).

A34. In evaluating the level of competence of an internal auditor, many of the factors in paragraph A8 of this ISA may also be relevant, applied in the context of individual internal auditors and the work to which they may be assigned.

How do we comply with the Standards? [ISA | KAEGHDWC]

1 Not Integrated Audit | Internal Audit | Evaluate the internal auditors, if we intend to use them to provide direct assistance [ISA | 1152]

What do we do?

IF we intend to use internal auditors to provide direct assistance to us THEN evaluate their competence and objectivity

Why do we do this?

When we are not prohibited from using internal auditors for direct assistance and we intend to use them in this way, we evaluate the internal auditors' competence and objectivity. When the internal auditors lack competence and/or objectivity without appropriate safeguards, we don't use them to help us with our audit.

Execute the Audit

[What is 'direct assistance' when using internal auditors?](#) [ISA | 1152.1500]

'Direct assistance' is the use of internal auditors to perform audit procedures under our direction, supervision and review.

[When may we be prohibited by law or regulation to use internal auditors to provide direct assistance?](#) [ISA | 1152.1600]

Some jurisdictions prohibit, through law or regulation, the use of internal auditors to provide direct assistance. We confirm whether this is the case in the jurisdiction where we are signing the audit opinion.

[Group Audit | How may the prohibition to use internal auditors for direct assistance affect us if we are the group auditor?](#) [ISA | 1152.1700]

When we are the group auditor in a jurisdiction with laws or regulations that prohibit us from using internal auditors for direct assistance, we refer to those laws and regulations to determine whether the prohibition extends to component auditors. If so, we clearly communicate this prohibition to the component auditors in our instructions to them.

1.1 Not Integrated Audit | Internal Audit | Evaluate the internal auditor's competence and objectivity [ISA |

1131]

What do we do?

Evaluate the level of competence and the existence and significance of threats to the objectivity of the internal auditors who will be providing direct assistance, AND any safeguards applied to reduce or eliminate those threats.

Why do we do this?

We evaluate the internal auditors' competence and objectivity to help us to determine whether, and to what extent, we may use the internal auditors to provide direct assistance in the audit.

When the internal auditors lack competence and/or objectivity without appropriate safeguards, we don't use them to help us with our audit.

Execute the Audit

[What does competence of the internal auditors mean?](#) [ISA | 1131.1400]

'Competence of the internal auditors' is the level of understanding, knowledge and skills that the internal auditors have attained and maintain as a whole so they can perform assigned tasks diligently, with appropriate quality, and per applicable standards.

[What types of information can help us in our evaluation?](#) [ISA | 1131.1500]

Resumes of IA personnel, written policies maintained by the IA function, overall company hiring practices and documentation from the IA function (e.g. audit reports, work papers) can provide information that is useful as we evaluate the level of competence of the internal auditors.

How do we evaluate the competence of the internal auditors? [ISA | 1131.1600]

The table below sets out factors we may obtain information about, or update from prior years, and consider, individually and together, to evaluate the level of competence of an internal auditor (refer to the activity [Evaluate the IA function's level of competence](#) for additional information about performing our evaluation). We specifically evaluate the internal auditors that will be serving in a direct assistance capacity.

Factor	What may we consider?	Example that may indicate a higher level of competence	Example that may indicate a lower level of competence
Education and experience	The educational level and professional experience of the internal auditor (e.g. background, years of audit experience, industry experience)	Internal auditor has a higher educational level and has more years of audit experience	Internal auditor doesn't have a higher educational level and has fewer years of audit experience
Professional certification, continuing education and training	<p>Whether the internal auditor is a member of relevant professional bodies or have certifications (e.g. Certified Internal Auditor (CIA), Certified Public Accountant (CPA), Certified Management Accountant (CMA)) that oblige them to comply with relevant internal audit professional standards including continuing professional education requirements (e.g. relevant continuing education coursework)</p> <p>Whether the internal auditor has adequate technical training and proficiency in auditing (e.g. a relevant professional designation), and experience (e.g. background, years of audit experience, industry experience)</p>	Internal auditor has relevant certifications and adequate technical training	Internal auditor doesn't have relevant certifications or adequate technical training

Internal auditor's knowledge	Whether the internal auditor has the requisite knowledge relating to the entity's financial reporting and the applicable financial reporting framework	Internal auditor has the requisite knowledge	Internal auditor does not have the requisite knowledge
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Considering only one factor might not be enough to conclude that we cannot use the internal auditor for direct assistance.

For example, we may note that the internal auditor has not yet obtained a professional degree - e.g. a junior associate still working to earn a degree. We may consider this as a lack of competence, but we may still conclude that the internal auditor's level of competence is sufficient for our purposes - e.g. where the internal auditor has several years of practical internal audit experience.

What does objectivity of the internal auditors mean? [ISA | 1131.1700]

'Objectivity of the internal auditors' is the ability to perform the proposed work without allowing bias, conflict of interest or undue influence of others to override professional judgements.

What types of information can help us in our evaluation? [ISA | 1131.1800]

There are several types of information that can be useful as we evaluate the objectivity of the internal auditors, such as:

- an organizational chart for the entity, which shows the IA function's position within the entity's hierarchy and lines of reporting
- the internal audit charter or similar document which describes the organization's authority, duties, responsibilities and reporting
- internal audit policies, including those that describe how they monitor, resolve and mitigate threats to the objectivity of the IA function
- job descriptions explaining the roles and responsibilities of IA personnel
- communications (e.g. reports, mails, emails, other types of messages etc.) made with management and those charged with government
- communications sent out to the organization by management or those charged with governance about the role and overall authority of the IA function.

How do we evaluate the objectivity of the internal auditors and any threats to their objectivity? [ISA | 1131.1900]

We evaluate the existence and significance of threats to the objectivity of the internal auditors by making inquiries of the internal auditors about interests and relationships that may create a threat to their objectivity (refer to the activity '[Evaluate the IA function's objectivity](#)' for information about evaluating the IA function's objectivity).

The table below sets out factors we may obtain information about, or update from prior years, to evaluate whether there are any threats to the internal auditors' objectivity for which we identify

appropriate safeguards. We specifically evaluate the objectivity of internal auditors that will be serving in a direct assistance capacity.

Factors	What may we consider?	Examples that may indicate threats
Organizational status	Whether the IA function reports to an officer of sufficient status or those charged with governance to make broad audit coverage and adequate consideration of, and action on, the function's findings and recommendations (i.e. whether the function's organizational status, including its authority and accountability, supports its ability to be free from bias, conflict of interest or undue influence of others to override professional judgments)	The IA function does not report to an officer of sufficient status
Policies to maintain internal auditors' objectivity Policies prohibiting internal auditors from auditing areas where: <ul style="list-style-type: none"> relatives are employed in audit-sensitive positions the internal auditors were recently assigned or are scheduled to be assigned 	Whether there are adequate policies to maintain the IA function's objectivity about the areas audited, such as policies that prohibit internal auditors from: <ul style="list-style-type: none"> auditing areas where relatives are employed in important or sensitive positions. auditing areas where they were recently assigned or are scheduled to be assigned on completion of responsibilities in the IA function. 	No policies or the policies are in place are inadequate to maintain the IA function's objectivity
Family and personal relationships	Whether the internal auditors have family and personal relationships with people working in, or responsible for, the area of the aspect of the entity to which the work relates	The internal auditor's spouse works in a department to which the internal auditor's work may relate

Associations within the entity	Whether the internal auditor is associated with the division or department in the entity to which the work relates	The internal auditor's work may relate to a department in which the internal auditor used to work for several years
Financial interest	Whether the internal auditor has significant financial interests in the entity Whether other remuneration is on terms consistent with those applicable to other employees at a similar level of seniority	The internal auditor's stock option plan is not consistent with those for other employees with similar seniority

Why do we identify safeguards over threats identified to the internal auditor's objectivity? [ISA | 1131.2000]

We identify safeguards to reduce or eliminate the threats to an internal auditor's objectivity.

Even when we have identified threats to the objectivity of an internal auditor, we may conclude that there are safeguards in place that could reduce the threats to an acceptable level.

What do we consider in evaluating the adequacy of safeguards that could reduce or eliminate threats to the internal auditor's objectivity? [ISA | 1131.2100]

The adequacy of safeguards is a matter of professional judgment. It is influenced by the significance of the work in the context of the audit and the size of the threat to us.

For example, a threat for internal auditors may be their personal relationship with others within the entity. The internal auditor may hesitate to report findings that might embarrass a colleague. As a safeguard that might reduce this threat, we may re-perform more of the work performed by the internal auditor in that specific area.

Are there circumstances where the significance of threats to objectivity of an internal auditor is such that no safeguards can reduce them to an acceptably low level? [ISA | 1131.2200]

The adequacy of safeguards is influenced by the significance of the work in the context of the audit. In some situations, self-review threats cannot be mitigated.

For example, we do not use internal auditors for direct assistance where the procedures relate to work that the internal auditors were involved in and that the IA function has or will report to management or those charged with governance (see question '[What work cannot be assigned to internal auditors providing direct assistance?](#)' for further information).

How does our evaluation of the internal auditors' competence and objectivity affect our intention to use them? [ISA | 1131.2300]

We do not use internal auditors when our evaluation of their competence and objectivity leads us to determine:

- there are significant threats to the objectivity of the internal auditor, or
- the internal auditor lacks sufficient competence to perform the work proposed.

Determining the Nature and Extent of Work that Can Be Assigned to Internal Auditors and Using Them to Provide Direct Assistance

International Standards on Auditing: ISA 610.29-35

Determining the Nature and Extent of Work that Can Be Assigned to Internal Auditors Providing Direct Assistance

29. 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:

- (a) The amount of judgment involved in:
 - (i) Planning and performing relevant audit procedures; and
 - (ii) Evaluating the audit evidence gathered;
- (b) The assessed risk of material misstatement; and
- (c) 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. (Ref: Para. A35 - A39)

30. The external auditor shall not use internal auditors to provide direct assistance to perform procedures that:

- (a) Involve making significant judgments in the audit; (Ref: Para. A19)
- (b) Relate to higher assessed risks of material misstatement where the judgment required in performing the relevant audit procedures or evaluating the audit evidence gathered is more than limited; (Ref: Para. A38)
- (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
- (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. (Ref: Para. A35 - A39)

31. Having appropriately evaluated whether and, if so, to what extent internal auditors can be used to provide direct assistance on the audit, the external auditor shall, in communicating with those charged with governance an overview of the planned scope and timing of the audit in accordance with ISA 260 (Revised),⁹ communicate the nature and extent of the planned use of internal auditors to provide direct

assistance so as to reach a mutual understanding that such use is not excessive in the circumstances of the engagement. (Ref: Para. A39)

9 ISA 260 (Revised), paragraph 15

32. The external auditor shall evaluate whether, in aggregate, using internal auditors to provide direct assistance to the extent planned, together with the planned use of the work of the internal audit function, 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.

Using Internal Auditors to Provide Direct Assistance

33. Prior to using internal auditors to provide direct assistance for purposes of the audit, the external auditor shall:

- (a) Obtain written agreement from an authorized representative of the entity that the internal auditors will be allowed to follow the external auditor's instructions, and that the entity will not intervene in the work the internal auditor performs for the external auditor; and
- (b) Obtain written agreement from the internal auditors that they will keep confidential specific matters as instructed by the external auditor and inform the external auditor of any threat to their objectivity.

34. The external auditor shall direct, supervise and review the work performed by internal auditors on the engagement in accordance with ISA 220 (Revised).¹⁰ In so doing:

- (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 29 of this ISA; and
- (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.

The direction, supervision and review by the external auditor of the work performed by the internal auditors shall be sufficient in order for the external auditor to determine that the internal auditors have obtained sufficient appropriate audit evidence to support the conclusions based on that work. (Ref: Para. A40 - A41)

10 ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

35. In directing, supervising and reviewing the work performed by internal auditors, the external auditor shall remain alert for indications that the external auditor's evaluations in paragraph 27 are no longer appropriate.

ISA Application and Other Explanatory Material: ISA 610.A35-A41

Determining the Nature and Extent of Work that Can Be Assigned to Internal Auditors Providing Direct Assistance (Ref: Para. 29 - 31)

A35. Paragraphs A15 - A22 of this ISA provide relevant guidance in determining the nature and extent of work that may be assigned to internal auditors.

A36. In determining the nature of work that may be assigned to internal auditors, the external auditor is careful to limit such work to those areas that would be appropriate to be assigned. Examples of activities and tasks that would not be appropriate to use internal auditors to provide direct assistance include the following:

- Discussion of fraud risks. However, the external auditors may make inquiries of internal auditors about fraud risks in the organization in accordance with ISA 315 (Revised).²⁹
- Determination of unannounced audit procedures as addressed in ISA 240.

29 ISA 315 (Revised), paragraph 6(a)

A37. Similarly, since in accordance with ISA 505³⁰ the external auditor is required to maintain control over external confirmation requests and evaluate the results of external confirmation procedures, it would not be appropriate to assign these responsibilities to internal auditors. However, internal auditors may assist in assembling information necessary for the external auditor to resolve exceptions in confirmation responses.

30 ISA 505, *External Confirmations*, paragraphs 7 and 16

A38. The amount of judgment involved and the risk of material misstatement are also relevant in determining the work that may be assigned to internal auditors providing direct assistance. For example, in circumstances where the valuation of accounts receivable is assessed as an area of higher risk, the external auditor could assign the checking of the accuracy of the aging to an internal auditor providing direct assistance. However, because the evaluation of the adequacy of the provision based on the aging would involve more than limited judgment, it would not be appropriate to assign that latter procedure to an internal auditor providing direct assistance.

A39. Notwithstanding the direction, supervision and review by the external auditor, excessive use of internal auditors to provide direct assistance may affect perceptions regarding the independence of the external audit engagement.

Using Internal Auditors to Provide Direct Assistance (Ref: Para. 34)

A40. As individuals in the internal audit function are not independent of the entity as is required of the external auditor when expressing an opinion on financial statements, the external auditor's direction, supervision and review of the work performed by internal auditors providing direct assistance will generally be of a different nature and more extensive than if members of the engagement team perform the work.

A41. In directing the internal auditors, the external auditor may, for example, remind the internal auditors to bring accounting and auditing issues identified during the audit to the attention of the external auditor. In reviewing the work performed by the internal auditors, the external auditor's considerations include whether the evidence obtained is sufficient and appropriate in the circumstances, and that it supports the conclusions reached.

How do we comply with the Standards? [ISA | KAEGHDWC]

1 Not Integrated Audit | Internal Audit | Perform relevant procedures when internal auditors provide direct assistance [ISA | 3731]

What do we do?

IF we determine that we can use internal auditors to provide direct assistance THEN perform the relevant procedures.

Why do we do this?

When we identify procedures where internal auditors can provide direct assistance and we intend to use them, we perform procedures to determine that the work performed is adequate for our audit. Without doing this, we risk inappropriately using internal audit in a direct assist role or improperly overseeing their work.

Execute the Audit

What 'relevant procedures' do we perform if we determine that we can use internal auditors to provide direct assistance? [ISA | 3731.1500]

When we intend to use internal auditors to provide direct assistance in our audit, we:

- [determine the nature and extent of work we assign to internal auditors](#);
- [evaluate whether we are sufficiently involved](#);
- [communicate planned scope and timing of the audit](#);
- [obtain written agreements](#);
- [direct, supervise and review the internal auditors' work](#); and
- [evaluate our conclusions regarding the IA function](#).

How do we determine that we can use internal auditors to provide direct assistance? [ISA | 3731.1600]

We determine whether we can use internal auditors to provide direct assistance by evaluating their competence and objectivity (see activity '[Evaluate the internal auditors, if we intend to use them to provide direct assistance](#)' for further information).

Are the internal auditors that provide direct assistance part of the engagement team? [ISA | 3731.10104]

No. When internal auditors provide direct assistance, they perform audit procedures on behalf of the engagement team, but are not part of the engagement team.

While we may use the work of internal auditors, management's use of our work, including the work performed by the internal auditors in a direct assistance capacity, may impair our independence when performing an audit.

1.1 Not Integrated Audit | Internal Audit |

Determine the nature and extent of work assigned to internal auditors [ISA | 1143]

What do we do?

Determine the nature and extent of work that may be assigned to internal auditors providing direct assistance

Why do we do this?

When we intend to use internal auditors to provide direct assistance, they work under our direction and supervision. In determining the work we will ask them to perform, we consider:

- the level of judgment involved;
- our combined assessed risk (CAR) associated with that work; and
- our evaluation of [the objectivity and competence of those who will be providing assistance](#).

If we fail to properly consider these matters, we may ask them to perform procedures which are not appropriate.

Execute the Audit

What are 'nature and extent' of work? [ISA | 1143.1300]

When we determine the work we may assign to internal auditors providing direct assistance, we determine the nature and extent of that work. The table below explains and provides examples of these elements.

Element	Explanation/example of the element
Nature	<p>The type of work that we may assign to internal auditors providing direct assistance.</p> <p>For example:</p> <ul style="list-style-type: none"> • testing the operating effectiveness of controls; • performing substantive analytical procedures such as a ratio analysis or predictive analysis; and • performing tests of details (e.g. inspection, recalculation, reperformance).
Extent	<p>How extensively the work assigned to internal auditors providing direct assistance is performed or the quantity to be performed.</p> <p>For example, the number of sample items we test - i.e. how many we are testing - or 100%.</p>

How do we determine the work that may be assigned to internal auditors providing direct assistance? [ISA | 1143.1400]

In determining the nature and extent of work that we may assign to internal auditors, we consider the following factors:

Factors	How the factor influences our decisions?
The amount of judgment involved	The higher the level of judgment involved to plan and perform the audit procedures and evaluate the audit evidence, the less likely it is that we can use internal auditors to perform the work. In areas of higher judgement, we perform the work ourselves.
Assessed risk of material misstatement at the assertion level (i.e., CAR)	When CAR increases or the judgment involved in performing the relevant audit procedures or evaluating the audit evidence gathered is more than limited, we are less likely to use internal auditors to perform procedures.
Our evaluation of the existence and significance of threats to the internal auditors' objectivity, and the effectiveness of the safeguards applied to reduce or eliminate the threats (see activity ' Evaluate the internal auditor's competence and objectivity ' for further information)	<p>Even when we identify threats to an internal auditor's objectivity, we may conclude that safeguards in place could reduce the threats to an acceptable level.</p> <p><i>For example, we may have a team of three internal auditors providing direct assistance. A threat may be that one of the internal auditors has a personal relationship with someone within the entity in an area where we plan to use internal auditors to provide direct assistance. An appropriate safeguard may be to allocate that work to one of the other internal auditors.</i></p>
Our evaluation of the level of competence of the internal auditors providing direct assistance (see activity ' Evaluate the internal auditor's competence and objectivity ' for further information)	When our evaluation leads us to consider the internal auditor as less competent, we assign them tasks that are less complex or demanding (e.g. agreeing information to clearly defined source documentation rather than assigning them tasks that demand more competence).

What are examples of work that may be assigned to internal auditors providing direct assistance? [ISA | 1143.6286]

The table below sets out examples of work that we may assign to internal auditors providing direct assistance.

Example work	Additional guidance
Obtaining an understanding of certain aspects of internal control over financial information (ICFR)	<p>Internal auditors may help us:</p> <ul style="list-style-type: none"> • understand CERAMIC • understand the flow of transactions, including how they are initiated, authorized, processed and recorded; • determine process risk points; • identify controls that management has implemented; • obtain an understanding of controls; and • test the operating effectiveness of controls
Performing tests of internal control	<p>Internal auditors may provide direct assistance to test internal controls. The extent to which we may use the work of internal auditors in an audit of internal control depends on the risk associated with the control being tested. As the risk associated with a control increases, the need for us to perform our work on the control increases.</p>
Testing the D&I of a GITC	<p>Internal auditors may help us test the design and implementation of GITCs. For example, a GITC which requires an approved access request ticket to set up new user access to the IT system that is commensurate with the new user's job responsibilities.</p> <p>Internal auditors may help us test the control attributes that address the following RAFIT: 1.4 APD - Logical access to users and accounts (including shared or generic accounts) that can perform privileged tasks and functions within IT systems is inappropriate (i.e., unauthorized or not commensurate with job responsibilities).</p>

Evaluating the reliability of information used in control activities and GITCs by the control owner to perform the control activity	<p>Internal auditors may help us:</p> <ul style="list-style-type: none"> • test the operating effectiveness of management's controls over the accuracy and completeness of internal information or • directly test the completeness and accuracy of the internal information.
Performing substantive procedures	<p>Performing substantive procedures involving limited judgment, such as:</p> <ul style="list-style-type: none"> • agreeing financial information to source documentation; • performing mathematical checks; and • observing of inventory counts.

What work cannot be assigned to internal auditors providing direct assistance? [ISA | 1143.1600]

We do not use internal auditors to provide direct assistance to perform work or procedures that:

- involve making significant judgments in the audit;
- relate to a higher assessed risk of material misstatement where more than limited judgment is involved to perform the work or evaluate the audit evidence gathered;
- relate to work that the internal auditor was involved in and that the internal auditor or internal audit (IA) function has or will report to management or those charged with governance;
- relate to decisions we make about the IA function and the use of its work or direct assistance.

We are also careful to limit the work assigned to internal auditors in other areas where it is inappropriate for them to provide direct assistance. This may include areas such as:

- Discussion of fraud risks
- Determination of unannounced or unpredictable audit procedures
- Sending external confirmation requests and evaluating the results of external confirmation procedures

What are the significant judgments in the audit? [ISA | 1143.10010]

Significant judgments include:

- identifying risks of material misstatements (RMMs) and assessing the inherent and control risks associated with the combined assessed risk (CAR);
- evaluating the sufficiency of tests performed;
- evaluating the materiality of misstatements;
- evaluating whether:
 - management's use of the going concern assumption is appropriate; and
 - there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time;
- evaluating significant accounting estimates;

- evaluating the adequacy of disclosures in the financial statements; and
- evaluating other matters affecting the auditor's report.

1.2 Not Integrated Audit | Internal Audit | Evaluate whether we will still be sufficiently involved in the audit [ISA | 1136]

What do we do?

Evaluate whether, in aggregate, we will still be sufficiently involved in the audit considering the extent to which we plan to use the internal audit function's work and/or internal auditors to provide direct assistance.

Why do we do this?

When we finish planning the nature and extent of our use of the internal audit (IA) function's work and/or the use of internal auditors providing direct assistance, we then consider whether this plan will keep us sufficiently involved in the audit. We make this evaluation because:

- we are solely responsible for the audit opinion expressed; and
- our use of the IA function's work and/or internal audit to provide direct assistance does not reduce this responsibility.

The internal auditors may perform audit procedures in a similar way to us, but they are not independent of the entity. As such, we limit and control their involvement so we can:

- meet all the relevant requirements included in the auditing standards; and
- secure that we are the ones making all significant judgments during the audit.

Execute the Audit

[How do we evaluate whether we will still be sufficiently involved in the audit?](#) [ISA | 1136.1300]

When we evaluate whether we are sufficiently involved in the audit, we consider the internal auditor's involvement in aggregate. This includes the extent of direct assistance we are planning together with our planned use of the IA function's work in obtaining audit evidence.

We do not necessarily perform a quantitative analysis to evaluate the IA function's work - e.g. percentage of hours spent by the IA personal in respect of the work being used by us relative to total engagement hours. Rather, we evaluate our audit plan to confirm we will:

- be able to meet all the relevant requirements included in our audit manual; and
- make the significant judgments during the audit (refer to questions '[What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use?](#)' and '[What work cannot be assigned to internal auditors providing direct assistance?](#)' for further information about significant judgements).

[What can we do if we conclude that we will not be sufficiently involved in the audit based on our planned use of IA function's work and/or of internal auditors to provide direct assistance?](#) [ISA | 1136.1400]

When we conclude that we are not sufficiently involved in the audit, we may change our planned use of the IA function's work and/or of the internal auditors to provide direct assistance. The table below sets out examples of the changes we may make.

Planned use of the IA function's work	Planned use of internal auditors to provide direct assistance
We increase the extent of planned procedures that we will perform directly.	We reduce the extent of direct assistance we are planning, especially in those areas that involve some judgement.
We plan to reperform more of their work.	

1.3 Communicate planned scope and timing of the audit [ISA | 1241]

What do we do?

Communicate with those charged with governance an overview of the planned scope and timing of the audit, including significant risks and how we plan to use internal audit.

Why do we do this?

We communicate the planned scope and timing of the audit to those charged with governance because it may assist those charged with governance to better understand a) our work, b) our views regarding the significant risks, which we give special audit consideration, and c) how the internal auditors and we can work together in a constructive and complementary manner.

In addition, our communication gives those charged with governance the opportunity to view our planned scope of the audit and provide us with feedback on the risks they are concerned about. This feedback could inform our audit strategy and risk assessment.

Execute the Audit

What do we communicate to those charged with governance regarding the planned scope and timing of the audit? [ISA | 1241.1300]

We communicate the planned scope and timing of the audit.

As part of communicating the planned scope of the audit, we communicate:

- significant risks identified by us;
- how we have planned to use the work of the internal audit function, if applicable; and
- the nature and extent of the planned use of internal auditors to provide direct assistance, if applicable, so as to reach a mutual understanding with those charged with governance that such use is not excessive in the circumstances of the engagement.

Where can we find additional guidance related to communications around the planned scope and timing of the audit come from? [ISA | 1241.11175]

Communication matter	Location of additional guidance
Planned scope and timing of the audit	The information to communicate the planned scope, including the timing of the audit is determined during risk assessment and planning. Specifically, this information is the result of performing the activity " Establish the overall audit strategy ".
Significant risks identified by us	The information to communicate significant risks identified during our risk assessment is determined while performing the activity " Identify significant risks ". We communicate all significant risks, including the risk of management override of controls.
How we plan to use the work of the internal audit function, if applicable	The information to communicate how we plan to use the work of internal audit is determined while performing the activities in the chapter on internal audit (ISA 610).
The nature and extent of the planned use of internal auditors to provide direct assistance, if applicable, so as to reach a mutual understanding with those charged with governance that such use is not excessive in the circumstances of the engagement	The information to communicate the nature and extent of the planned use of internal audit to provide direct assist is determined while performing the activity " Determine the nature and extent of work assigned to internal auditors ".

What else do we think about in our communication of the planned scope and timing of the audit? [ISA | 1241.11176]

When we are communicating the planned scope and timing of the audit to those charged with governance, we think about the detail that is appropriate. In particular, we find a level of detail that is meaningful and clear, but not so detailed that it compromises the effectiveness of our audit procedures.

For example, communicating the nature and timing of detailed audit procedures may reduce the effectiveness of those procedures by making them too predictable.

We may also consider whether to exclude management from such communications. If we are going to provide those charged with governance with specific details that could compromise the effectiveness of the audit procedures, we may consider it appropriate that management not be present during the communication.

What is the form of our communication to those charged with governance regarding our planned scope and timing of the audit? [ISA | 1241.1400]

We may communicate to those charged with governance our planned scope and timing of the audit orally or in writing. Due to the nature of these communications, we usually communicate orally and in writing.

When do we communicate to those charged with governance our planned scope and timing of the audit? [ISA | 1241.1500]

We communicate matters to those charged with governance timely. In the case of our communication on our planned scope and timing of the audit, communicating early may allow us to more effectively incorporate the additional risks informed by those charged with governance, if any, into our audit strategy and audit plan.

1.4 Not Integrated Audit | Internal Audit | Obtain written agreements [ISA | 1145]

What do we do?

Obtain written agreements from internal auditors and an authorized representative of the entity, prior to using internal auditors to provide direct assistance

Why do we do this?

We obtain agreements to support the internal auditors' objectivity. We obtain these agreements in writing to document the terms the internal auditors have confirmed.

Execute the Audit

What written agreements do we obtain when internal auditors are providing direct assistance? [ISA | 1145.1400]

Written agreements we obtain	Who do we obtain this agreement from?
Agreement that internal auditors will: <ul style="list-style-type: none"> keep confidential specific matters as instructed by us, and inform us of any threat to their objectivity 	The internal auditors
Agreement that:	An authorized representative of the entity

- the internal auditors will be allowed to follow our instructions, and
- the entity will not intervene in the work the internal auditor performs for us

Who is an 'authorized representative' of the entity? [ISA | 1145.1500]

An 'authorized representative' includes those charged with governance, as well as members of management that have the appropriate level of the authority to both make agreements on behalf of the entity and enforce and monitor compliance with those agreements.

How do we obtain written agreements when we use internal auditors to provide direct assistance? [ISA | 1145.1600]

The table below shows the form of written agreements we obtain when we use internal auditors to provide direct assistance.

Type of confirmation	Form of written agreement
Agreement with internal auditors confirming that they will keep confidential matters and inform us of any threat to their objectivity	Separate letter countersigned by the internal auditors providing direct assistance
Authorized representative's agreement confirming that the internal auditors providing direct assistance may follow our instructions and that the entity will not intervene in their work for us	Audit engagement letter or a separate letter countersigned by the entity's authorized representative

1.5 Not Integrated Audit | Internal Audit | Direct, supervise and review the internal auditors' work [ISA |

1146]

What do we do?

Direct, supervise and review the work performed by internal auditors providing direct assistance

Why do we do this?

We direct, supervise and review the work performed by internal auditors providing direct assistance to make sure that their work is adequate for the audit.

However, internal auditors are not independent of the entity, and they may not be familiar with KPMG audit methodology. Therefore, the nature, timing and extent of our direction, supervision and review of their work goes beyond that we apply to KPMG professionals.

Execute the Audit

[What do we do to direct, supervise and review the work of internal auditors providing direct assistance?](#)

[ISA | 1146.1300]

We determine the nature, timing and extent of our direction, supervision and review of internal auditors providing direct assistance by considering the outcome of the factors we used to determine the nature and extent of work we assigned to them.

Internal auditors are not independent of the entity, so our direction, supervision and review of their work is different from and more extensive than it is for members of the engagement team.

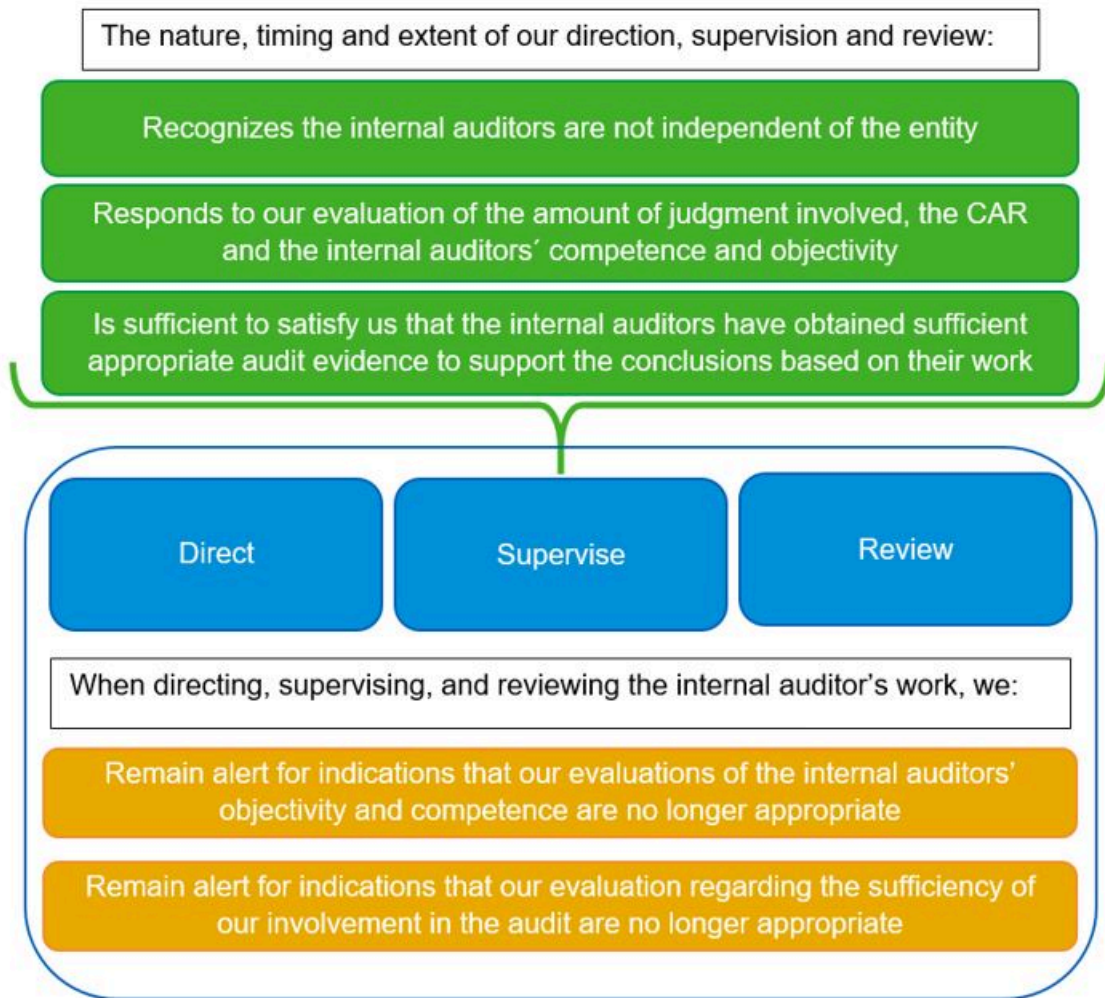
We apply sufficient direction, supervision and review of the internal auditors' work to satisfy ourselves that they have obtained sufficient appropriate audit evidence to support the conclusion based on that work.

When we direct, supervise and review the work of the internal auditors providing direct assistance, we stay alert for signs that our evaluations are no longer appropriate regarding:

- the internal auditors' objectivity and competence; and
- the sufficiency of our involvement.

The diagram below outlines:

- what we consider when we determine the nature, timing and extent of direction, supervision and review of the work of internal auditors providing direct assistance; and
- what we stay alert for when we are directing, supervising or reviewing their work.



1.5.1 Not Integrated Audit | Internal Audit | Direct the internal auditors' work [ISA | 1147]

What do we do?

Direct the work performed by internal auditors providing direct assistance in accordance with ISA 220, including informing them of their responsibilities AND informing them to alert us to all significant accounting and auditing issues identified during the audit.

Why do we do this?

We direct the internal auditors providing direct assistance to make sure that:

- they understand what they are expected to do;
- they execute the work per our instructions; and
- their work is adequate for the audit.

Execute the Audit

What do we inform internal auditors providing direct assistance of, when we are directing them? [ISA |

1147.1500]

We inform the internal auditors:

- about their responsibilities (e.g. the nature and extent of work we expect them to perform, deadlines);
- of the objectives of the procedures they are to perform (e.g. to address a risk of material misstatement (RMM) we identified);
- about matters that may affect the nature, timing and extent of audit procedures, such as possible accounting and auditing issues (e.g. matters that create risks, misstatements, audit findings); and
- to alert us to all significant accounting and auditing issues they identify during the audit (e.g. significant misstatements, significant control deficiencies)

We may include this information in our audit plan or our instructions to the internal auditors providing direct assistance.

What are considered significant accounting and auditing issues?

'Significant accounting and auditing issues' are matters that involve more significant judgments or that could affect and/or alter our audit approach. Potential significant accounting and auditing issues include:

- matters that create significant risks and/or financial-statement level risks;
- significant deficiencies and material weaknesses in internal control;
- material misstatements (i.e. accumulated misstatements and evaluation of uncorrected misstatements, including the quantitative and qualitative factors we considered relevant to the evaluation);
- significant findings and issues identified during review of interim financial information;
- significant matters involving the selection, application and consistency of accounting policies or principles, including related disclosures;
- significant changes in audit strategy and planned audit procedures, including changes in the assessed RMMs;
- disagreements among engagement team members (including employed KPMG specialists and specific team members), other reviewing partners, or others consulted about final conclusions reached on significant accounting or auditing matters, including the basis for resolving those disagreements;
- disagreement with management about matters that, alone or combined, could be significant to the entity's financial statements or the auditors' report(s);
- circumstances that caused significant difficulties in applying audit procedures;
- contradictory or inconsistent information with our final conclusions regarding significant findings and issues;
- Issues identified with relevant independence and ethical requirements, including any engagement team rotation requirements; and
- matters that caused or might have caused us to modify the audit opinion.

What do we consider and remain alert for when we direct internal auditors providing direct assistance?

[ISA | 1147.1600]

We consider the outcome of the factors we used to determine the nature and extent of work assigned to the internal auditors providing direct assistance. Those factors are:

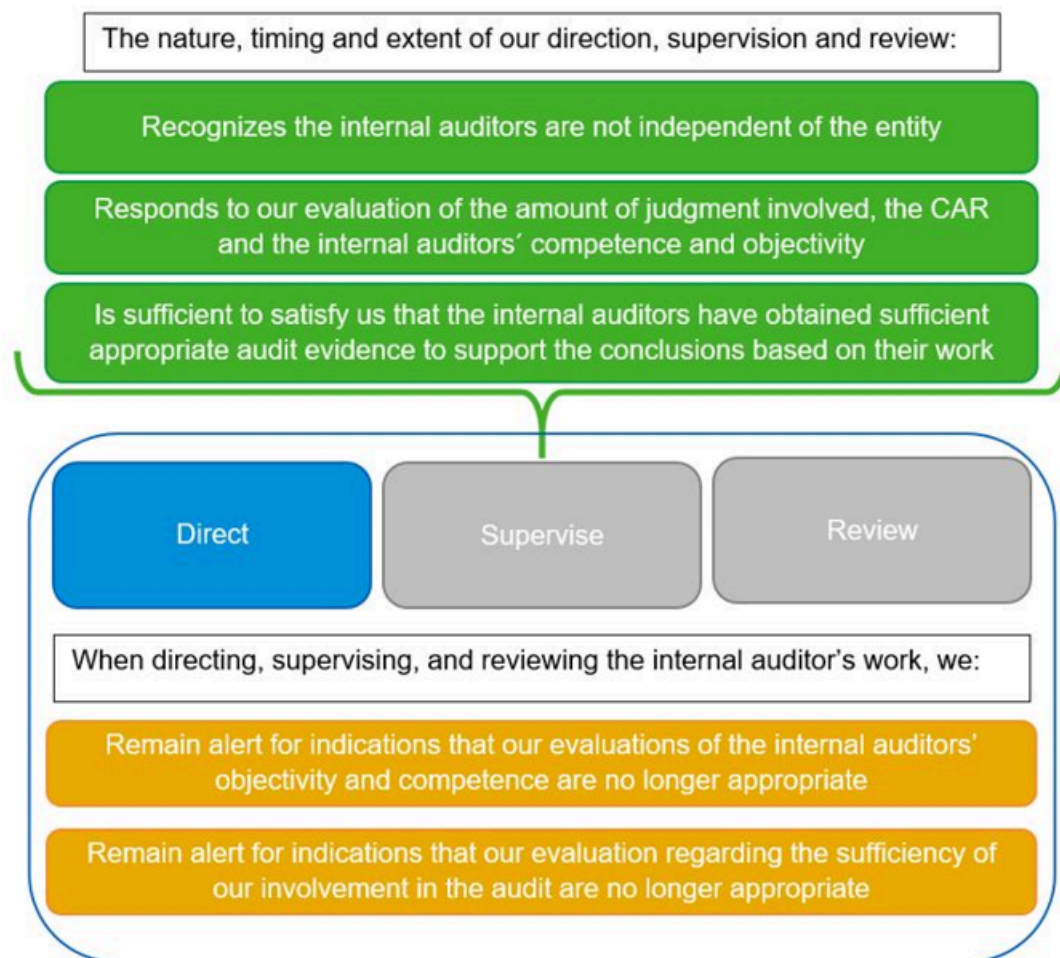
- [the level of judgment involved in planning and performing the work and evaluating the audit evidence gathered](#);
- the combined assessed risk (CAR) at the assertion level;
- [our evaluation of the existence and significance of threats to the internal auditor's objectivity and the effectiveness of the safeguards applied to reduce or eliminate the threats](#); and
- [our evaluation of the competence of the internal auditors who will be providing direct assistance](#).

We remain alert for signs that our evaluations are no longer appropriate regarding:

- the existence and significance of threats to the internal auditors' [objectivity](#);
- the level of internal auditors' [competence](#); and
- whether we're still [sufficiently involved in the audit](#).

The diagram below outlines:

- what we consider in determining the nature, timing and extent of direction of internal auditors providing direct assistance; and
- what we remain alert for when directing internal auditors providing direct assistance.



How may the nature, timing and extent of our direction of internal auditors providing direct assistance be affected by our considerations?

The following table shows how considering the factors we considered to determine the nature and extent of work assigned to the internal auditors providing direct assistance may affect how we direct them - i.e., the nature, timing and extent.

Consideration	Impact on the nature, timing and extent of our direction
The amount of judgment involved	<p>When the work we assign to internal auditors involves a higher level of judgement:</p> <ul style="list-style-type: none"> • we are likely to provide the internal auditors with more specific, detailed instructions and audit programs; • we may hold meetings (in person or via online collaboration tools) or calls to help us track progress, monitor adherence to our instructions and identify potential issues; and • we may consider providing the internal auditors with training upfront specific to the work they are assigned.
CAR	<p>As the CAR assessment increases:</p> <ul style="list-style-type: none"> • we are likely to provide the internal auditors with more specific, detailed instructions and audit programs; • we may hold meetings (in person or via online collaboration tools) or calls to help us track progress, monitor adherence to our instructions and identify potential issues; and • we may consider providing the internal auditors with training upfront specific to the work they are assigned.
Internal auditors' objectivity	<p>People in the internal audit (IA) function are not independent of the entity, so our direction of the internal auditors providing direct assistance is more specific and extensive than it is for our engagement team.</p>
Internal auditors' competence	<p>When we assess that the internal auditors' competence is lower:</p> <ul style="list-style-type: none"> • we are likely to provide them with more specific, detailed instructions and audit programs; • we may hold meetings (in person or via online collaboration tools) or calls to help us track

	<p>progress, monitor adherence to our instructions and identify potential issues; and</p> <ul style="list-style-type: none"> • we may consider providing the internal auditors with training upfront specific to the work they are assigned.
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When directing the work of internal auditors what are the indicators that our evaluations of their objectivity and competence and the sufficiency of our involvement in the audit are no longer appropriate?

Our evaluations of the internal auditors' objectivity and competence are no longer appropriate when, for example:

- the internal auditors don't understand our instructions;
- the internal auditors are less competent than expected; or
- we note new threats to the internal auditors' objectivity.

Our evaluations of the sufficiency of our involvement in the audit are no longer appropriate when, for example:

- the risk involved is higher than originally expected;
- new RMMs are identified in areas allocated to internal auditors; and
- more judgment is involved than originally expected

Based on these indications, we may reconsider whether we are sufficiently involved in the audit (refer to activity '[Evaluate whether we will still be sufficiently involved in the audit](#)' for further information).

1.5.2 Not Integrated Audit | Internal Audit | Supervise the internal auditors' work [ISA | 1148]

What do we do?

Supervise the work performed by internal auditors providing direct assistance in accordance with ISA 220

Why do we do this?

We supervise the internal auditors providing direct assistance to make sure that:

- they understand what they are expected to do;
- they execute the work per our instructions; and
- their work is adequate for the audit.

Execute the Audit

How may we supervise the internal auditor providing direct assistance? [ISA | 1148.1500]

We may supervise internal auditors providing direct assistance through regular meetings - e.g. in person, or via collaboration tools or conference calls. This depends on, among other things, the number of internal auditors involved, the complexity of work assigned to them, and the nature of issues we expect.

We may also supervise the internal auditors providing direct assistance by:

- tracking the progress of their work;
- obtaining an understanding of whether:
 - they understand their instructions
 - the work is being done per the planned approach to the audit engagement (e.g. by explaining the instructions); and
- addressing significant matters that arise, considering their significance, and modifying the planned approach appropriately.

For example, the internal auditors providing direct assistance may bring a misstatement to our attention. We consider its significance and may adapt our planned approach in the affected area by adding and performing additional procedures.

What do we consider and remain alert for when we supervise internal auditors providing direct assistance? [ISA | 1148.1600]

We consider the outcome of the factors we used to determine the nature and extent of work assigned to the internal auditors providing direct assistance. Those factors are:

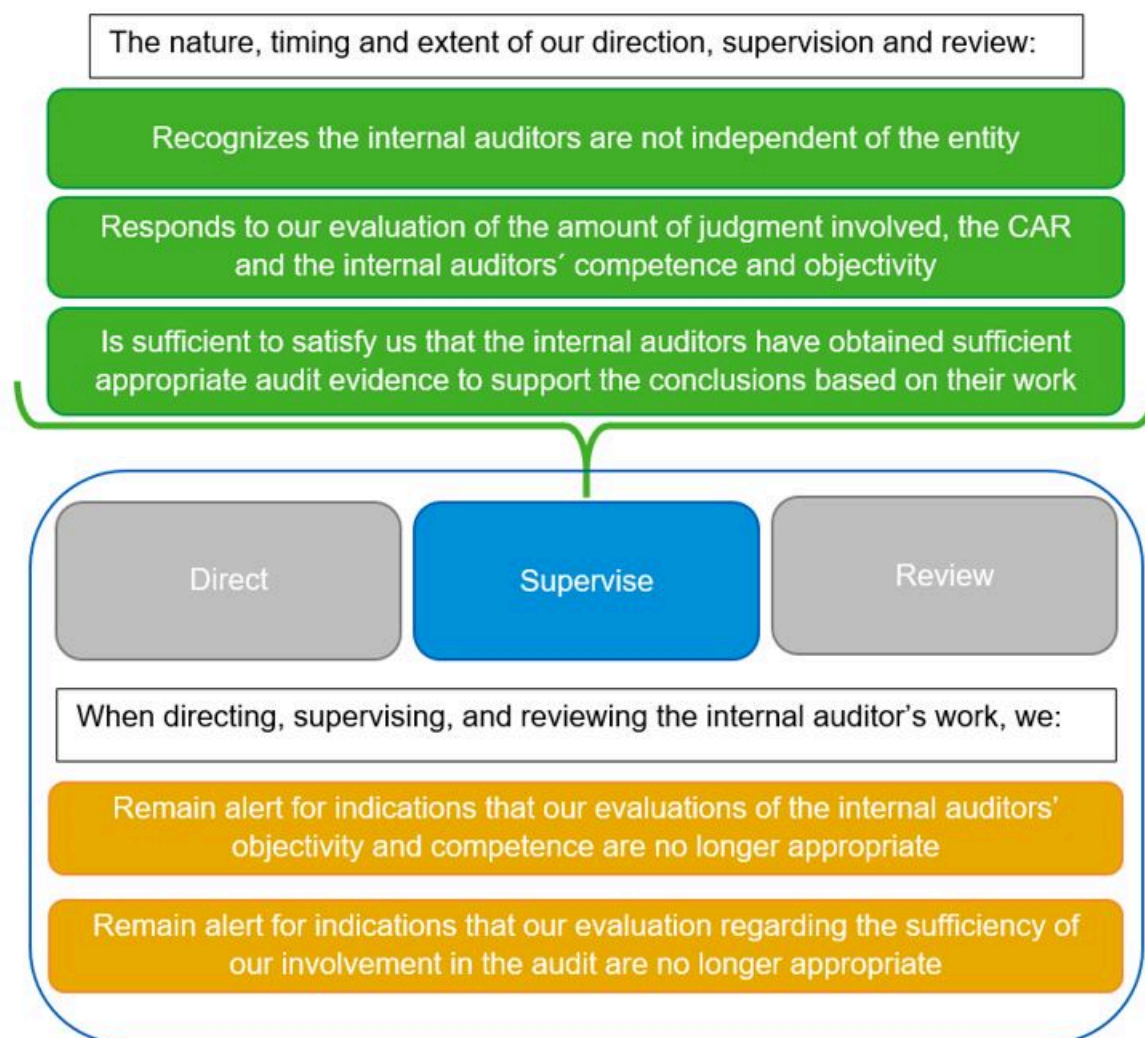
- [the level of judgment involved in planning and performing the work and evaluating the audit evidence gathered](#);
- the combined assessed risk (CAR) at the assertion level;
- [our evaluation of the existence and significance of threats to the internal auditor's objectivity and the effectiveness of the safeguards applied to reduce or eliminate the threats](#); and
- [our evaluation of the competence of the internal auditors who will be providing direct assistance](#).

We remain alert for signs that our evaluations are no longer appropriate regarding:

- the existence and significance of threats to the internal auditors' [objectivity](#);
- the level of internal auditors' [competence](#); and
- whether we're still [sufficiently involved in the audit](#).

The diagram below outlines what we consider when we determine:

- the nature, timing and extent of supervision of internal auditors providing direct assistance; and
- what we remain alert for when supervising internal auditors providing direct assistance.



How may the nature, timing and extent of our supervision of internal auditors providing direct assistance be affected by our considerations?

The following table shows how considering the factors we considered to determine the nature and extent of work assigned to the internal auditors providing direct assistance may affect how we supervise them - i.e., the nature, timing and extent.

Consideration	Impact on the nature, timing and extent of our supervision
The amount of judgment involved	<p>When the work performed by internal audit involves a higher level of judgment:</p> <ul style="list-style-type: none"> we are likely to provide them with more specific, detailed instructions and audit programs; we may hold meetings (in person or via online collaboration tools) or calls to help us track

	<p>progress, monitor adherence to our instructions and identify potential issues; and</p> <ul style="list-style-type: none"> • we are likely to supervise the internal auditors' work upfront and throughout the work's performance.
CAR	<p>As our CAR assessment increases:</p> <ul style="list-style-type: none"> • we are likely to provide the internal auditors with more specific, detailed instructions and audit programs; • we may hold meetings (in person or via online collaboration tools) or calls to help us track progress, monitor adherence to our instructions and identify potential issues; and • we are likely to supervise the internal auditors' work upfront and throughout the work's performance.
Internal auditors' objectivity	<p>People in the internal audit (IA) function are not independent of the entity, so our direction of the internal auditors providing direct assistance is more specific and extensive than it is for our engagement team.</p>
Internal auditors' competence	<p>When we assess the internal auditors' competence is lower:</p> <ul style="list-style-type: none"> • we are likely to provide them with more specific, detailed instructions and audit programs; • we may hold meetings (in person or via online collaboration tools) or calls to help us track progress, monitor adherence to our instructions and identify potential issues; and • we are likely to supervise the internal auditors' work upfront and throughout the work's performance.

When supervising the work of internal auditors what are the indicators that our evaluations of their objectivity and competence and the sufficiency of our involvement in the audit are no longer appropriate?

Our evaluations of the internal auditors' objectivity and competence are no longer appropriate when, for example:

- the internal auditors don't understand our instructions;
- the internal auditors are less competent than expected; or
- we note new threats to the internal auditors' objectivity.

Our evaluations of the sufficiency of our involvement in the audit are no longer appropriate when, for example:

- the risk involved is higher than originally expected;
- new RMMs are identified in areas allocated to internal auditors; and
- more judgment is involved than originally expected

Based on these indications, we may reconsider whether we are sufficiently involved in the audit (see activity ['Evaluate whether we will still be sufficiently involved in the audit'](#) for further information).

1.5.3 Not Integrated Audit | Internal Audit | Review the work performed by the internal auditors [ISA | 1149]

What do we do?

Review the work performed by internal auditors in accordance with ISA 220, including testing some of the work performed by checking it back to the underlying audit evidence AND determining whether it is appropriately prepared, signed and dated. Include the internal auditors' working papers in our audit documentation.

Why do we do this?

We review the work performed by the internal auditors providing direct assistance. This includes agreeing their work to the underlying evidence.

People in the internal audit (IA) function are not independent of the entity, so our review of their work is more specific and extensive than it is for our engagement team.

Execute the Audit

[What do we consider and remain alert for when we review the internal auditors work?](#) [ISA | 1149.1500]

We consider the outcome of the factors we used to determine the nature and extent of work assigned to the internal auditors providing direct assistance. Those factors are:

- [the level of judgment involved in planning and performing the work and evaluating the audit evidence gathered](#) ;
- the combined assessed risk (CAR) at the assertion level;
- [our evaluation of the existence and significance of threats to the internal auditor's objectivity and the effectiveness of the safeguards applied to reduce or eliminate the threats](#) ; and
- [our evaluation of the competence of the internal auditors who will be providing direct assistance](#) .

We also consider whether the evidence obtained is sufficient and appropriate in the circumstances, and supports the conclusions reached. For example, we consider whether:

- the work was performed per KPMG, legal and regulatory requirements;
- all significant matters were raised for further consideration;
- we revise the nature, timing and extent of work performed; and
- the procedure's objectives were achieved.

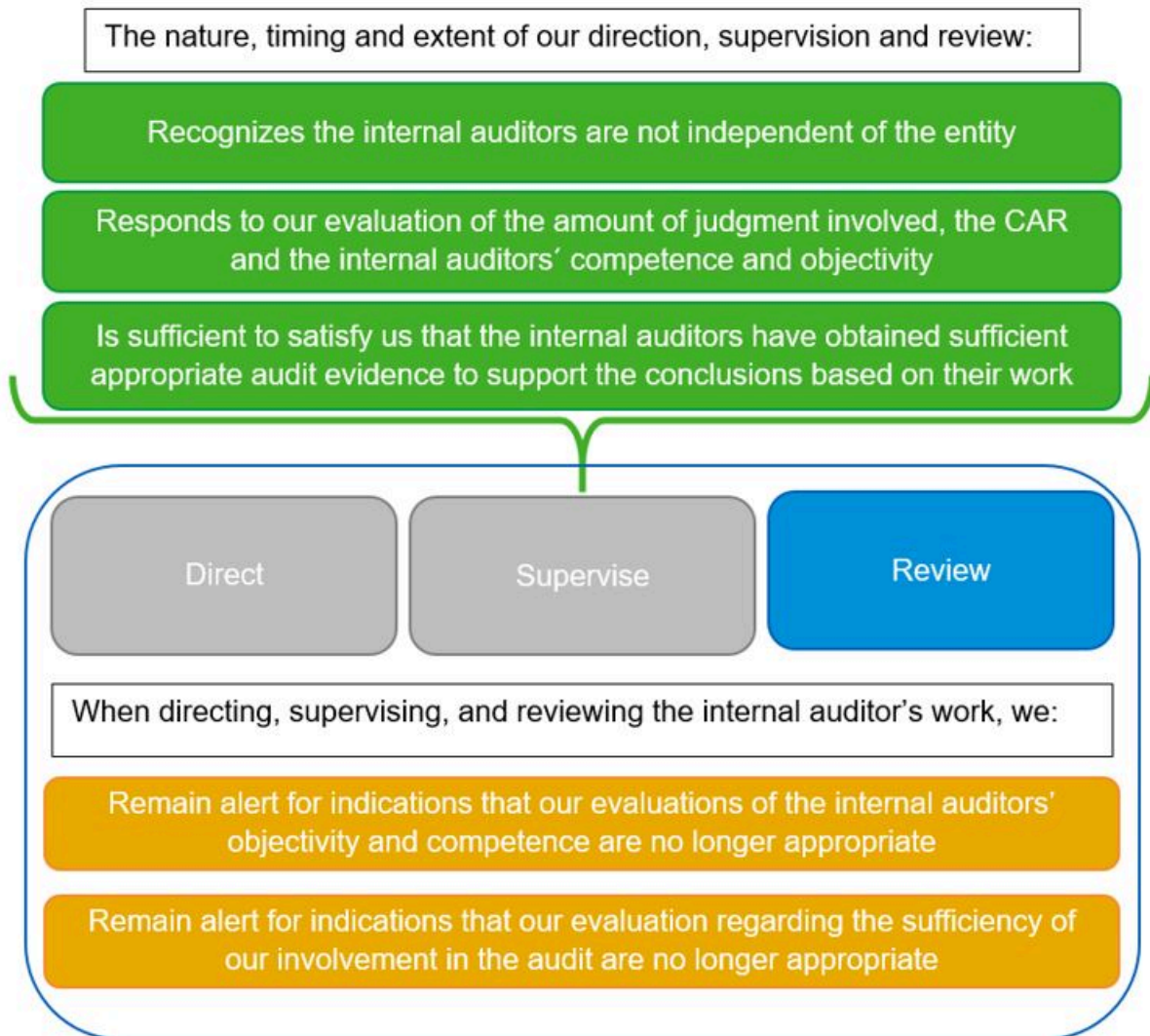
We remain alert for signs that our evaluations are no longer appropriate regarding:

- the existence and significance of threats to the internal auditors' [objectivity](#) ;
- the level of internal auditors' [competence](#) ; and

- whether we're still [sufficiently involved in the audit](#).

The diagram below outlines what we consider when we determine:

- the nature, timing and extent of our review of internal auditors' work providing direct assistance; and
- what we remain alert for when reviewing the work of internal auditors providing direct assistance



How may the nature, timing and extent of our review of internal auditors providing direct assistance be affected by our considerations? [ISA | 1149.10009]

The following table shows how considering the factors we considered to determine the nature and extent of work assigned to the internal auditors providing direct assistance may affect how we review their work - i.e., the nature, timing and extent.

Consideration	Impact on the nature, timing and extent of our review
The amount of judgment involved	Where the work performed by internal audit involves a higher level of judgement:

	<ul style="list-style-type: none"> • we likely conduct a more detailed review and check back more of the work to underlying documents; and • we likely conduct reviews more frequently during the audit, depending on the internal auditors' progress.
The CAR	<p>As our assessment of CAR increases:</p> <ul style="list-style-type: none"> • we likely conduct a more detailed review and check back more of the work to underlying documents; and • we likely conduct reviews more frequently during the audit, depending on the internal auditors' progress.
Internal auditors' objectivity	<p>People in the internal audit (IA) function are not independent of the entity, so our direction of the internal auditors providing direct assistance is more specific and extensive than it is for our engagement team.</p>
Internal auditors' competence	<p>When we assess the internal auditors' competence is lower:</p> <ul style="list-style-type: none"> • we likely conduct a more detailed review and check back more of the work to underlying documents; and • we likely conduct reviews more frequently during the audit, depending on the internal auditors' progress.

When reviewing the work of internal auditors what are the indicators that our evaluations of their objectivity and competence and the sufficiency of our involvement in the audit are no longer appropriate? [ISA | 1149.10007]

Our evaluations of the internal auditors' objectivity and competence are no longer appropriate when, for example:

- the internal auditors don't understand our instructions;
- the internal auditors are less competent than expected; or
- we note new threats to the internal auditors' objectivity.

Our evaluations of the sufficiency of our involvement in the audit are no longer appropriate when, for example:

- the risk involved is higher than originally expected;
- new RMMs are identified in areas allocated to internal auditors; and
- more judgment is involved than originally expected.

Based on these indications, we may reconsider whether we are sufficiently involved in the audit (see activity '[Evaluate whether we will still be sufficiently involved in the audit](#)' for further information).

What does checking back to underlying audit evidence mean? [ISA | 1149.10008]

'Checking back to underlying audit evidence' means that we agree the work performed by the internal auditors to source documentation - e.g. invoices, contracts, client prepared calculations.

How do we evidence our review of the work performed by internal auditors providing direct assistance?

[ISA | 1149.1600]

We evidence our review of the work performed by internal auditors providing direct assistance by documenting:

- who reviewed the work; and
- the date, nature and extent of that review, including our testing of some of the work performed by the internal auditor.

1.6 Not Integrated Audit | Internal Audit | Evaluate our conclusions regarding the IA function [ISA | 1151]

What do we do?

Evaluate whether our conclusions regarding the internal audit function including the use of internal auditors to provide direct assistance and our determination of the nature and extent of the use of their work, remain appropriate.

Why do we do this?

During the audit, we might obtain information and facts that we didn't know when we decided on the nature and extent of our use of the IA function. Considering the new information and facts may lead us to revise our initial decisions. Without reconsidering this information, we may inappropriately use the IA function's work in our audit.

Execute the Audit

When do we evaluate whether our conclusions regarding the IA function remain appropriate? [ISA |

1151.1300]

We evaluate whether our conclusions about the IA function are still appropriate before we complete the audit.

Which conclusions regarding the IA function do we evaluate? [ISA | 1151.1400]

We evaluate whether the following conclusions are still appropriate:

- our conclusion on the IA function's competence and objectivity, and whether it applies a systematic and disciplined approach (see activity '[Evaluate the IA function, if we intend to use their work](#)' for further information); and
- our determination of the nature and extent of use of the IA function's work in the audit, including:
 - the relevant factors we considered when we determined the nature and extent of the IA function's work (see question '[What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use?](#)' for further information); and
 - our initial determination that we are sufficiently involved in the audit, considering the use of the IA function's work together with our use of internal auditors to provide direct assistance (see activity '[Evaluate whether we will still be sufficiently involved in the audit](#)' for further information).

How do we evaluate whether our conclusions on the IA function's competence, objectivity and whether it applies a systematic and disciplined approach remain appropriate? [ISA | 1151.1500]

We compare:

- the initial information and facts we had at the planning phase about the IA function's competence, objectivity, and systematic and disciplined approach; and
- information and facts we have before we complete the audit, considering the conclusions we have drawn from their reports and the procedures we performed on their work.

For example, suppose we initially concluded that the IA function is objective based on the function's organizational status and relevant policies and procedures. However, when we read their reports and perform procedures on their work, we observe bias in the entity's favor. We therefore re-evaluate our initial conclusion, don't use the IA function's work, and perform their work ourselves.

What do we do if we determine that our evaluations regarding the IA function are no longer appropriate?

[ISA | 1151.1600]

When we determine that our initial conclusions on the IA function's competence and objectivity and whether it applies a systematic and disciplined approach are no longer appropriate, we can no longer use the IA function's work. We instead perform the work we had planned the IA function to perform ourselves or design and perform alternative procedures

How do we evaluate whether the relevant factors we considered when determining the nature and extent of the IA function's work remain appropriate? [ISA | 1151.1700]

We consider whether the relevant factors originally considered have changed during the audit (see question ['What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use?'](#) for further information). Changes in these factors may cause us to reconsider the nature and/or extent of IA function's work we can use in our audit.

For example, during an audit, suppose we reassessed the combined assessed risk (CAR) for an assertion of an account because a control we planned to rely on was deficient. If we used the IA function's work to get audit evidence for this assertion, we reconsider how this change in CAR influences our decision about the nature and extent of the IA function's work. We may decide to:

- revise our initial plan by removing their involvement, ignoring their work and performing the procedures by ourselves; or
- design more audit procedures over their work.

How do we evaluate whether our initial determination that we are sufficiently involved in the audit remains appropriate? [ISA | 1151.1800]

When we evaluate the sufficiency of our involvement in the audit, we consider the internal auditor's involvement in aggregate - i.e. the extent we used internal auditors to provide direct assistance together with the extent we used the IA function's work obtaining audit evidence.

We do not necessarily perform a quantitative analysis to evaluate the IA function's work - e.g. percentage of hours spent by the IA personal in respect of the work being used by us relative to total engagement hours. Rather, we evaluate our audit plan to make sure that we will:

- be able to meet all the relevant requirements included in our audit manual; and
- make the significant judgements during the audit (refer to questions '[What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use?](#)' and '[What work cannot be assigned to internal auditors providing direct assistance?](#)' for further information about significant judgements)

[What can we do if we conclude that we are not sufficiently involved in the audit when using the work of the IA function and/or the internal auditors to provide direct assistance?](#) [ISA | 1151.1900]

The table below sets out examples of how we may change our plans when we conclude that we are not sufficiently involved in the audit.

Planned use of the IA function's work	Planned use of internal auditors to provide direct assistance
We increase the extent of planned procedures that we will perform directly.	We reduce the extent of direct assistance we are planning, especially in those areas that involve some judgement.
We plan to re-perform more of their work.	

Documentation

International Standards on Auditing: ISA 610.36-37

Documentation

36. If the external auditor uses the work of the internal audit function, the external auditor shall include in the audit documentation:

- (a) The evaluation of:
 - (i) Whether the function's organizational status and relevant policies and procedures adequately support the objectivity of the internal auditors;
 - (ii) The level of competence of the function; and
 - (iii) Whether the function applies a systematic and disciplined approach, including quality control;
- (b) The nature and extent of the work used and the basis for that decision; and
- (c) The audit procedures performed by the external auditor to evaluate the adequacy of the work used.

37. If the external auditor uses internal auditors to provide direct assistance on the audit, the external auditor shall include in the audit documentation:

- (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;
- (b) The basis for the decision regarding the nature and extent of the work performed by the internal auditors;
- (c) Who reviewed the work performed and the date and extent of that review in accordance with ISA 230;¹¹
- (d) The written agreements obtained from an authorized representative of the entity and the internal auditors under paragraph 33 of this ISA; and
- (e) The working papers prepared by the internal auditors who provided direct assistance on the audit engagement.

¹¹ ISA 230, *Audit Documentation*

How do we comply with the Standards? [ISA | KAEGHDWC]

1 Not Integrated Audit | Internal Audit | Evaluate the IA function's level of competence [ISA | 1128]

What do we do?

Evaluate the level of competence of the internal audit function by obtaining information, or updating information from prior years, about relevant factors.

Why do we do this?

We evaluate the internal audit (IA) function's level of competence because it directly affects whether, and to what extent, we can use their work.

Execute the Audit

What does 'competence of the IA function' mean? [ISA | 1128.1300]

'Competence of the IA function' is the level of understanding, knowledge and skills that the function has attained and maintains as a whole so it can perform assigned tasks diligently, with appropriate quality, and per applicable standards.

How do we evaluate the IA function's 'level of competence'? [ISA | 1128.1400]

We evaluate the IA function's level of competence by:

- obtaining information about relevant factors that may affect the IA function's competence; and/or
- updating this information from prior years.

We may also:

- observe or shadow the IA function as it performs its work; or
- ask the internal auditors within the function to self-assess their level of competence.

Our evaluation of the IA function's level of competence includes considering both the function as a whole and the individual auditors where we intend to use their work.

What types of information can help us in our evaluation? [ISA | 1128.1500]

Resumes of IA personnel, written policies maintained by the IA function, overall company hiring practices and documentation from the IA function (e.g. audit reports, work papers) can provide information that is useful as we evaluate the level of competence of the IA function.

What relevant factors influence our evaluation of the IA function's competence? [ISA | 1128.1600]

The table below sets out relevant factors we consider when we evaluate the level of competence of the IA function. We consider these factors individually and together.

Factor	What do we consider?	Example that may indicate a higher level of competence	Example that may indicate a lower level of competence
Educational level and professional experience	The educational level and professional experience of the internal auditors (e.g. background, years of audit experience, industry experience)	Internal auditors have a higher educational level (e.g. college education, post-graduate degree) and more years of audit experience	Internal auditors don't have a higher educational level and have fewer years of audit experience
Professional certification and continuing education	Whether the internal auditors are members of relevant professional bodies or have certifications (e.g. Certified Internal Auditor (CIA), Certified Public Accountant (CPA), Certified Management Accountant (CMA)) that oblige them to comply with relevant internal audit professional standards including continuing professional education requirements (e.g.	Internal auditors have relevant certifications and adequate technical training	Internal auditors don't have relevant certifications or adequate technical training

	relevant continuing education course work)		
Audit policies, programs and procedures	Whether IA maintains and adheres to policies, programs and procedures	Strong, well documented, formal audit policies, programs and procedures	No audit policies, programs and procedures in place or reliance on more general, informal policies
Practices regarding assignment of internal auditors	Whether the entity has policies in place for hiring, training and assigning internal auditors to IA engagements, e.g. whether audit assignments align with each person's qualifications	Strong, well documented, formal policies for hiring, training and assigning internal auditors to IA engagements are in place	No policies for hiring, training and assigning internal auditors to IA engagements are in place or reliance on more general, informal policies
Supervision and review of internal auditors' activities	Whether the entity follows specific policies and procedures regarding how audit activities are supervised and reviewed (e.g., minimum review requirements, assignment of more senior personnel to oversee the work of more junior personnel)	Strong, well documented, formal policies and procedures about how activities are supervised and review are followed	No formal policies and procedures are in place over how internal audit activities are supervised and reviewed
Quality of working-paper documentation, reports, and recommendations	Whether the organization produces work papers, reports and recommendations of sufficient quality	The organization maintains formal policies about how they perform and document their work (e.g., methodologies	No formal policies exist to maintain quality or the policies are not adhered to

		for selecting items, producing work papers and reports)	
Evaluation of internal auditors' performance	Whether there are processes followed to periodically evaluate internal auditor's performance (e.g., internal audit surveys, employee annual performance reviews)	A structured performance evaluation process exists to consistently monitor the performance of the internal audit function	No or weak performance evaluation process exists

Are there other factors we might consider in our evaluation? [ISA | 1128.10002]

Yes, there are other factors that may affect our evaluation of the IA function's level of competence, which could include:

Factor	What do we consider?	Example that may indicate a higher level of competence	Example that may indicate a lower level of competence
Resourcing	Whether the IA function is adequately and appropriately resourced relative to the entity's size and the nature of its operations	The IA function is adequately and appropriately resourced relative to the entity's size and the nature of its operation	The IA function is not adequately and appropriately resourced relative to the entity's size and the nature of its operation
Internal auditor's knowledge	Whether the internal auditors have the requisite knowledge of the entity's financial reporting and the applicable financial reporting framework, and whether the IA function has the requisite skills (e.g. industry-specific knowledge) to	Internal auditors have the requisite knowledge	Internal auditors do not have the requisite knowledge

	perform work related to the entity's financial statements		
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Does our evaluation change if the entity uses third parties to perform internal audit responsibilities?

[ISA | 1128.10003]

No, we evaluate the same factors whether the entity uses internal resources or employs third parties to perform IA functions. However, we consider the professional reputation of the third parties in our evaluation of the competence of the IA function, which includes the service provider's professional reputation and industry experience.

Can one factor alone cause us to conclude that IA lacks competence? [ISA | 1128.10004]

Considering only one factor is not enough to conclude that we can or cannot use the IA function's work for our audit. We consider all of the factors together as opposed to focusing on only individual factors.

For example, we may note that some internal auditors within the IA function have not yet obtained a professional degree - e.g. a junior associate still working to earn a degree. We may consider this as a lower level of competence, but we may still conclude that the IA function's level of competence is sufficient for our purposes - e.g. where the internal auditors' work is reviewed by people who are considered as more experienced and competent.

2 Not Integrated Audit | Internal Audit | Evaluate the IA function's objectivity [ISA | 1129]

What do we do?

Evaluate the internal audit function's objectivity by obtaining information, or updating information from prior periods, about relevant factors.

Why do we do this?

We evaluate the internal audit (IA) function's objectivity to help us to determine whether, and to what extent, we may use the IA function's work. The IA function cannot be independent of the entity, so the function's objectivity matters. When the IA function lacks objectivity, we may decide not to use any of its work as audit evidence.

Execute the Audit

What does 'objectivity of the IA function' mean? [ISA | 1129.1300]

'Objectivity of the IA function' is its ability to perform the allocated tasks without allowing bias, conflict of interest or undue influence of others to override professional judgment. The IA function is considered objective when the function's organizational status and relevant policies and procedures adequately support the internal auditors' objectivity.

How do we evaluate the IA function's objectivity? [ISA | 1129.1400]

We evaluate the IA function's objectivity by obtaining information, or updating information from prior periods, about relevant factors that may affect the IA function's objectivity.

What types of information can help us in our evaluation? [ISA | 1129.1500]

There are several types of information that can be useful as we evaluate the objectivity of the IA function, such as:

- an organizational chart for the entity, which shows the IA function's position within the entity's hierarchy and lines of reporting
- the internal audit charter or similar document which describes the organization's authority, duties, responsibilities and reporting
- internal audit policies, including those that describe how they monitor, resolve and mitigate threats to the objectivity of the IA function
- job descriptions explaining the roles and responsibilities of IA personnel
- communications (e.g. reports, mails, emails, other types of messages etc.) made with management and those charged with governance
- communications sent out to the organization by management or those charged with governance about the role and overall authority of the IA function.

What relevant factors do we obtain information about, or update information from prior periods about, to evaluate the IA function's objectivity? [ISA | 1129.1600]

The table below sets out relevant factors we consider as we evaluate the IA function's objectivity.

Relevant factor	What do we consider?	Examples that may indicate a higher level of objectivity	Examples that may indicate a lower level of objectivity
Organizational status Reporting to an officer of sufficient status Direct access to those charged with governance Who oversees employment decisions related the internal auditor	Whether the IA function reports to an officer of sufficient status or those charged with governance to facilitate broad audit coverage and adequate consideration of, and action on, the IA function's findings and recommendations (i.e. whether the IA function's organizational status, including its authority and accountability, supports its ability to be free from bias, conflict of interest or undue influence of others to override professional judgments).	The IA function reports directly to those charged with governance or an executive officer with significant status within the entity (e.g. CEO) and has direct access to those charged with governance.	The IA function reports to a managerial level employee (e.g. finance manager, operations manager) and has limited or no direct access to those charged with governance.

	<p>Whether the IA function has direct access and reports regularly to those charged with governance or an officer with appropriate authority; and when the IA function reports to management, whether it has direct access to those charged with governance.</p> <p>Whether those charged with governance or an officer with appropriate authority oversees employment decisions related to the IA function.</p>		
<p>Policies to maintain internal auditors' objectivity</p> <p>Policies prohibiting internal auditors from auditing areas where:</p> <ul style="list-style-type: none"> relatives are employed in audit-sensitive positions the internal auditors were recently assigned or are scheduled to be assigned 	<p>Whether adequate policies are in place to maintain the IA function's objectivity about the areas audited. Adequate policies include policies that prohibit internal auditors from:</p> <ul style="list-style-type: none"> auditing areas where relatives are employed in important or sensitive positions auditing areas where they were recently assigned or are scheduled to be assigned after completing responsibilities in the IA function 	Adequate policies are in place and followed to maintain the IA function's objectivity.	No such policies are in place, or the policies that are in place are inadequate to maintain the IA function's objectivity

Are there other factors we might consider in our evaluation? [ISA | 1129.10005]

Yes, there are other factors that may affect our evaluation of the IA function's objectivity, which could include:

Factors	What do we consider?	Examples that may indicate a higher level of objectivity	Examples that may indicate a lower level of objectivity

Conflicting responsibilities	Whether the IA function is free of any conflicting responsibilities (e.g. having managerial or operational duties or responsibilities that are outside of the IA function)	Internal auditors have no managerial or operational duties outside of the IA function	Internal auditors have managerial or operational duties outside the IA function
Constraints or restrictions on the IA function	Whether there are any constraints or restrictions on the IA function by management or those charged with governance (e.g. restrictions that limit the communication of IA findings to us)	There are no constraints or restrictions on the IA function (i.e. they have unrestricted access to the organization)	Constraints or restrictions are in place over the IA function that may affect their ability to be objective
Membership of relevant professional bodies	Whether the internal auditors are members of relevant professional bodies and their memberships oblige them to comply with relevant internal audit professional standards relating to objectivity, or whether internal policies achieve the same objectives	Internal auditors are members of relevant professional bodies that oblige them to comply with relevant internal audit professional standards relating to objectivity	Internal auditors are not members of relevant professional bodies, and no internal policies exist that impose obligations relating to objectivity

Can one factor alone cause us to conclude that IA lacks objectivity? [ISA | 1129.10006]

When only one factor indicates a lack of objectivity, it may not be enough to conclude that we will not use their work in our audit.

For example, if the IA function reports to management, we might consider this as a significant threat to the function's objectivity.

However, if there are safeguards in place, for example, periodic meetings between the IA function and TCWG (without management present) to discuss findings, results and any other issues, may be sufficient to reduce the threat to acceptable level and conclude that the IA function is objective.

3 Not Integrated Audit | Internal Audit | Evaluate the IA function's approach [ISA | 1130]

What do we do?

Evaluate whether the internal audit function applies a systematic and disciplined approach, including quality control.

Why do we do this?

We evaluate whether the internal audit (IA) function applies a systematic and disciplined approach to help us determine whether we may use their work.

When the IA function does not apply a systematic and disciplined approach, we may:

- determine that the quality of their work is not sufficient for us to use it as audit evidence; or
- reduce our level of use of the IA function's work.

Execute the Audit

What does 'systematic and disciplined approach' mean? [ISA | 1130.1300]

The IA function follows a 'systematic and disciplined approach' when it follows protocols adequate to the entity's size and circumstances for planning, performing, supervising, reviewing and documenting its activities.

What types of information can help us in our evaluation? [ISA | 1130.1400]

Documents describing internal audit's policies and procedures, specifically about how they conduct their work and the quality control processes they follow, can provide information that can be useful as we evaluate whether the IA function applies a systematic and disciplined approach.

What can we do when the entity doesn't have a formal, documented policy? [ISA | 1130.1500]

We focus on the practices the entity follows. If the entities' practices are good but they are not documented, we may still be able to conclude that they apply a systematic and disciplined approach. However, we also consider communicating the lack of documentation with the entity.

How may we evaluate whether the IA function applies a systematic and disciplined approach? [ISA | 1130.1600]

The table below sets out information that we may obtain, or update from prior years, to consider, individually and together, as we evaluate whether the IA function applies a systematic and disciplined approach:

Factor	What do we consider?	Examples that may indicate that the IA function applies	Examples that may indicate that the IA function doesn't apply a systematic and disciplined approach
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		a systematic and disciplined approach	
Existence, adequacy and use of documented IA procedures	<p>The existence, adequacy and use of documented IA procedures or guidance covering such areas as:</p> <ul style="list-style-type: none"> • risk assessments; • work programs; and • documentation and reporting <p>The nature and extent of these procedures or guidance fits the entity's size and circumstances</p>	Adequate audit procedures or guidance are in place and used by the entity that fit its size and circumstances	There are no audit procedures or guidance in place or they are not adequate relative to the entity's size and circumstances
Quality control policies and procedures	<p>Whether the IA function has appropriate quality control policies and procedures (e.g. policies for leadership, human resources and engagement performance) or is subject to quality control requirements in standards set by relevant professional bodies for internal auditors, along with other appropriate requirements</p>	Strong quality control policies are in place and followed	Inappropriate or no quality control policies are in place or policies are not consistently followed

	(e.g. conducting periodic external quality assessments)		
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4 Not Integrated Audit | Internal Audit | Consider relevant factors when determining our planned use of the IA function's work [ISA | 1135]

What do we do?

Consider relevant factors when determining the nature and extent of the internal audit function's work we plan to use

Why do we do this?

When we determine how we plan to use the internal audit (IA) function's work, we consider relevant factors which helps us to maintain responsibility for the significant judgements and prevent inappropriate use of the IA function's work.

Execute the Audit

What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use? [ISA | 1135.1300]

There are several factors that influence whether we use more or less of the IA function's work. The table below sets out the factors we consider for each area where we plan to use the IA function's work.

Factor	Consideration
The level of judgment involved in planning and performing the audit procedures and evaluating the audit evidence	<p>The higher the level of judgment, the less likely it is that we can use the IA function's work.</p> <p>The level of judgment may be influenced by:</p> <ul style="list-style-type: none"> the degree of subjectivity (e.g. when an entity selects an assumption for an estimate with no previous experience or external sources that increase the level of judgment); whether a transaction is routine or non-routine (i.e. routine transactions, like recording prepaid assets, involve a low level of judgment, but non-routine transactions, such as determining the actuarial assumptions for a defined benefit pension plan, involve a high level of judgment); and the uncertainty involved in a transaction. <p>Areas with a greater level of judgment may include:</p>

	<ul style="list-style-type: none"> • valuation of assets and liabilities involving significant accounting estimates (e.g., those accounting estimates associated with a significant or elevated inherent risk); • existence and disclosure of related-party transactions, contingencies or uncertainties; and • subsequent events. <p>Areas with a lower level of judgment may include existence of cash, prepaid assets, and fixed-asset additions.</p>
The level of the risk associated with the control (RAWTC)	<p>The higher the RAWTC, the less likely we can use the results of the IA function's work over that control.</p> <p>As the RAWTC increases, the level of judgement involved in testing the control also increases. As a result, our ability to use the IA function's work decreases.</p> <p>When the RAWTC is significant or significant+, we are unlikely to be able to use the IA function's work.</p>
Combined assessed risk (CAR)	<p>When CAR is higher, there is often more judgment in planning and performing the audit procedures and evaluating their results. As such, we are less likely to use the results of the IA function's work. We also perform more of the work directly and accordingly, make less use of the work of the IA function.</p> <p>In particular, we are less likely to use the IA function's work over areas where inherent risk is assessed as greater than Base, as these are areas where the judgment is often more than limited.</p> <p>When we reassess CAR during the audit (e.g. a control test failed that we planned to rely on in assessing CAR), we consider how this change influences our decision about using the IA function's work.</p> <p>When CAR increases, we may change our planned use of the IA function's work and perform more work ourselves.</p>
If the RMM is significant	<p>A significant risk associated with the RMMs normally indicates a high level of judgment and/or significance to the audit. As such, using the results of the IA function's work is likely inappropriate.</p>
The extent of the IA function's organizational status and relevant policies and procedures supporting	<p>The lower we determine objectivity of the IA function to be, the less we can use the results of their work and the more work we perform ourselves.</p>

the objectivity of the internal auditors	When we make this determination, we take into account our initial assessment of their objectivity, as well as their objectivity related to the work we plan to use.
The level of competence of the IA function	When we determine that the IA function does not have the competence to perform certain procedures, we cannot use the results of their work in that area.

What areas of the audit are we unable to use the IA function's work? [ISA | 1135.10126]

Examples of work of the IA function that we cannot use include the following:

- understanding the flow of transactions related to the relevant assertions, including how these transactions are initiated, authorized, processed and recorded;
- identifying process risk points (PRPs); and
- identifying the controls that management has implemented to address PRPs.

Furthermore, we have ultimate responsibility for the auditor's report on the financial statements, so we do not use the IA function's assessments or evaluations that relate to significant judgments in the audit engagement. Significant judgments include:

- identifying risks of material misstatements (RMMs) and assessing the inherent and control risks associated with the combined assessed risk (CAR);
- evaluating the sufficiency of tests performed;
- evaluating the materiality of misstatements;
- evaluating whether:
 - management's use of the going concern assumption is appropriate; and
 - there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time;
- evaluating significant accounting estimates;
- evaluating the adequacy of disclosures in the financial statements; and
- evaluating other matters affecting the auditor's report.

5 Not Integrated Audit | Internal Audit | Read the IA function's reports [ISA | 1139]

What do we do?

Read the reports of the internal audit function, which relate to the function's work that we plan to use, to understand the nature and extent of the audit procedures performed and the related findings

Why do we do this?

We read the reports of the internal audit (IA) function that relate to the work we plan to use so we can get an overview of their procedures and findings. This also helps us plan our audit procedures over the IA function's work.

Execute the Audit

What do we focus on when we read the IA function's reports? [ISA | 1139.1300]

When we read the IA function's reports, our goal is to get more information about the entity and the IA function. We may focus on:

- signs of the IA function's objectivity and competence, or lack of them;
- risks that we were not previously aware of;
- judgments made;
- findings and conclusions of the reports; and
- consistency between work performed and conclusions reached.

What do we do if the IA function's reports reveal new risks?

When reading the IA function's reports leads us to identify a new risk, we analyze how that risk may affect our audit strategy and plan. When that risk is significant, we review the IA function's work. This allows us to learn more about the risk and independently assess its impact to our audit plan. We may also discuss the new risk with the entity's management and may modify our audit strategy and plan.

6 Not Integrated Audit | Internal Audit | Design procedures over the IA function's work [ISA | 1140]

What do we do?

Design procedures to evaluate the overall quality and effectiveness of the internal audit function's work, whose nature and extent are responsive to our evaluation of relevant factors AND that include testing some of their work including by reperformance.

Why do we do this?

We design procedures to review the internal audit (IA) function's work because we want to evaluate the overall quality and effectiveness of their work before we use their work's results as audit evidence.

Execute the Audit

What 'relevant factors' do we consider when designing procedures to evaluate the IA function's work? [ISA | 1140.1300]

When we design procedures to evaluate the overall quality and effectiveness of the IA function's work, we consider the same factors as we did when we planned the nature and extent of the IA function's work (see question '[What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use?](#)' for further information), which are:

- the amount of judgment involved;
- the risk associated with the control (RAWTC);
- the combined assessed risk (CAR);
- the extent of the IA function's organizational status and relevant policies and procedures supporting the internal auditors' objectivity; and

- the IA function's level of competence.

Our audit procedures over the IA function's work respond to these factors.

What types of procedures may we design to test the IA function's work? [ISA | 1140.1400]

We may perform a variety of procedures to help us evaluate the quality of IA function's work, which can include:

- inquiry
- observation
- inspection, and
- reperformance

However, our procedures include reperformance of some of the work of the IA function.

Do we design procedures to test each area of the IA function's work that we use? [ISA | 1140.1500]

No. For all areas, we plan to read all the relevant reports to understand the IA function's conclusions for all the work that we intend to use as audit evidence. However, we use professional judgment to:

- design the nature and extent of the procedures we perform on the IA function's work; and
- determine the areas we plan to test (including reperformance).

In applying this judgment, we may design procedures to test the results of the IA function's work that are more complex - e.g. where more judgment is involved, the RAWTC is elevated or we want to make sure that the IA function has the appropriate level of objectivity and competence. We plan procedures across the different areas where we intend to use their work's results as audit evidence, focusing on testing the areas where different skill sets are involved to perform the procedures.

For example, we might use the IA function's work to test the existence of cash and fixed asset additions, the operating effectiveness of controls over inventory and the observation of inventory counts at eight locations. Since the procedures for testing the existence of cash and fixed asset additions are similar (inspecting documents that support transactions/balances), it may suffice to perform procedures to test only one of those areas.

We also perform procedures IA function's work over the operating effectiveness of controls and the observation of inventory count since those are different types of testing. However, testing them over only a selection of the locations may suffice to allow us to evaluate their work's overall quality and effectiveness for all the locations.

What does it mean to test the IA function's work by 'reperformance'? [ISA | 1140.1600]

'Reperformance' is an independent execution of procedures by us to validate the conclusions reached by the IA function. We examine some of the controls, transactions or balances that the internal auditors examined, reperform the same procedures as IA and compare our independent test results with those reached by the IA function. This entails using the same information as the control operator/ IT systems.

Where this is not possible, we may be able to examine similar controls, transactions or balances that the internal auditors did not actually examine. In these situations, engagement teams are encouraged to consult with DPP.

7 Not Integrated Audit | Internal Audit | Perform procedures over the IA function's work [ISA | 1141]

What do we do?

Perform procedures to evaluate the overall quality and effectiveness of the internal audit function's work, including evaluating relevant factors in relation to their work.

Why do we do this?

We perform procedures to review the internal audit (IA) function's work because we want to evaluate the overall quality and effectiveness of their work before we use the results as audit evidence.

Execute the Audit

[What procedures do we perform to evaluate the IA function's work?](#) [ISA | 1141.1300]

We perform the procedures we designed to test some of the IA function's work, including reperformance (refer to question ['What 'relevant factors' do we consider when designing procedures to evaluate the IA function's work?'](#) for additional information).

[What 'relevant factors' do we evaluate in relation to the IA function's work?](#) [ISA | 1141.1400]

We consider several factors when we evaluate the overall quality of the IA function's work, which includes:

Factors	Our considerations may include
Scope of work is appropriate to meet the objectives	Thinking about whether the procedures performed were appropriate, meaning they are relevant and consistent with how we would perform the work ourselves.
Audit programs are adequate	Inspecting the details of their audit programs to determine if they are sufficient to allow for reperformance and to understand what procedures were performed.
Working papers adequately document the work performed, including supervision and review	Inspect their working papers to see whether they are sufficiently detailed to demonstrate what was actually done, items selected, etc. We may also look for evidence that the working papers were properly reviewed in accordance with IA policies.
Conclusions are appropriate in the circumstances	Comparing the conclusions reached by IA with the facts presented in their working papers.

Reports are consistent with the results of work performed

Inspecting their reports to see whether the content mirrors what we learned from inspecting their documentation.

What may we do if we identify deficiencies in the IA function's work? [ISA | 1141.1500]

When we find deficiencies in the IA function's work, we evaluate whether the deficiency is isolated or systematic, or shows a lack of competency. When we are unsure about our ability to draw a conclusion, we extend our audit procedures to test the IA function's work by increasing the nature and/or extent of our testing.

If we learn that their work is not appropriate, we do not use it as audit evidence.

8 Not Integrated Audit | Internal Audit | Evaluate the internal auditor's competence and objectivity [ISA |

1131]

What do we do?

Evaluate the level of competence and the existence and significance of threats to the objectivity of the internal auditors who will be providing direct assistance, AND any safeguards applied to reduce or eliminate those threats.

Why do we do this?

We evaluate the internal auditors' competence and objectivity to help us to determine whether, and to what extent, we may use the internal auditors to provide direct assistance in the audit.

When the internal auditors lack competence and/or objectivity without appropriate safeguards, we don't use them to help us with our audit.

Execute the Audit

What does competence of the internal auditors mean? [ISA | 1131.1400]

'Competence of the internal auditors' is the level of understanding, knowledge and skills that the internal auditors have attained and maintain as a whole so they can perform assigned tasks diligently, with appropriate quality, and per applicable standards.

What types of information can help us in our evaluation? [ISA | 1131.1500]

Resumes of IA personnel, written policies maintained by the IA function, overall company hiring practices and documentation from the IA function (e.g. audit reports, work papers) can provide information that is useful as we evaluate the level of competence of the internal auditors.

How do we evaluate the competence of the internal auditors? [ISA | 1131.1600]

The table below sets out factors we may obtain information about, or update from prior years, and consider, individually and together, to evaluate the level of competence of an internal auditor (refer to

the activity [Evaluate the IA function's level of competence](#) for additional information about performing our evaluation). We specifically evaluate the internal auditors that will be serving in a direct assistance capacity.

Factor	What may we consider?	Example that may indicate a higher level of competence	Example that may indicate a lower level of competence
Education and experience	The educational level and professional experience of the internal auditor (e.g. background, years of audit experience, industry experience)	Internal auditor has a higher educational level and has more years of audit experience	Internal auditor doesn't have a higher educational level and has fewer years of audit experience
Professional certification, continuing education and training	Whether the internal auditor is a member of relevant professional bodies or have certifications (e.g. Certified Internal Auditor (CIA), Certified Public Accountant (CPA), Certified Management Accountant (CMA)) that oblige them to comply with relevant internal audit professional standards including continuing professional education requirements (e.g. relevant continuing education coursework) Whether the internal auditor has adequate technical training and proficiency in auditing (e.g. a relevant professional designation), and experience (e.g. background, years of audit experience, industry experience)	Internal auditor has relevant certifications and adequate technical training	Internal auditor doesn't have relevant certifications or adequate technical training
Internal auditor's knowledge	Whether the internal auditor has the requisite knowledge relating to the entity's financial reporting	Internal auditor has the requisite knowledge	Internal auditor does not have

	and the applicable financial reporting framework		the requisite knowledge
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Considering only one factor might not be enough to conclude that we cannot use the internal auditor for direct assistance.

For example, we may note that the internal auditor has not yet obtained a professional degree - e.g. a junior associate still working to earn a degree. We may consider this as a lack of competence, but we may still conclude that the internal auditor's level of competence is sufficient for our purposes - e.g. where the internal auditor has several years of practical internal audit experience.

What does objectivity of the internal auditors mean? [ISA | 1131.1700]

'Objectivity of the internal auditors' is the ability to perform the proposed work without allowing bias, conflict of interest or undue influence of others to override professional judgements.

What types of information can help us in our evaluation? [ISA | 1131.1800]

There are several types of information that can be useful as we evaluate the objectivity of the internal auditors, such as:

- an organizational chart for the entity, which shows the IA function's position within the entity's hierarchy and lines of reporting
- the internal audit charter or similar document which describes the organization's authority, duties, responsibilities and reporting
- internal audit policies, including those that describe how they monitor, resolve and mitigate threats to the objectivity of the IA function
- job descriptions explaining the roles and responsibilities of IA personnel
- communications (e.g. reports, mails, emails, other types of messages etc.) made with management and those charged with government
- communications sent out to the organization by management or those charged with governance about the role and overall authority of the IA function.

How do we evaluate the objectivity of the internal auditors and any threats to their objectivity? [ISA | 1131.1900]

We evaluate the existence and significance of threats to the objectivity of the internal auditors by making inquiries of the internal auditors about interests and relationships that may create a threat to their objectivity (refer to the activity '[Evaluate the IA function's objectivity](#)' for information about evaluating the IA function's objectivity).

The table below sets out factors we may obtain information about, or update from prior years, to evaluate whether there are any threats to the internal auditors' objectivity for which we identify appropriate safeguards. We specifically evaluate the objectivity of internal auditors that will be serving in a direct assistance capacity.

Factors	What may we consider?	Examples that may indicate threats
Organizational status	Whether the IA function reports to an officer of sufficient status or those charged with governance to make broad audit coverage and adequate consideration of, and action on, the function's findings and recommendations (i.e. whether the function's organizational status, including its authority and accountability, supports its ability to be free from bias, conflict of interest or undue influence of others to override professional judgments)	The IA function does not report to an officer of sufficient status
Policies to maintain internal auditors' objectivity Policies prohibiting internal auditors from auditing areas where: <ul style="list-style-type: none"> relatives are employed in audit-sensitive positions the internal auditors were recently assigned or are scheduled to be assigned 	Whether there are adequate policies to maintain the IA function's objectivity about the areas audited, such as policies that prohibit internal auditors from: <ul style="list-style-type: none"> auditing areas where relatives are employed in important or sensitive positions. auditing areas where they were recently assigned or are scheduled to be assigned on completion of responsibilities in the IA function. 	No policies or the policies are in place are inadequate to maintain the IA function's objectivity
Family and personal relationships	Whether the internal auditors have family and personal relationships with people working in, or responsible for, the area of the aspect of the entity to which the work relates	The internal auditor's spouse works in a department to which the internal auditor's work may relate

Associations within the entity	Whether the internal auditor is associated with the division or department in the entity to which the work relates	The internal auditor's work may relate to a department in which the internal auditor used to work for several years
Financial interest	Whether the internal auditor has significant financial interests in the entity Whether other remuneration is on terms consistent with those applicable to other employees at a similar level of seniority	The internal auditor's stock option plan is not consistent with those for other employees with similar seniority

Why do we identify safeguards over threats identified to the internal auditor's objectivity? [ISA | 1131.2000]

We identify safeguards to reduce or eliminate the threats to an internal auditor's objectivity.

Even when we have identified threats to the objectivity of an internal auditor, we may conclude that there are safeguards in place that could reduce the threats to an acceptable level.

What do we consider in evaluating the adequacy of safeguards that could reduce or eliminate threats to the internal auditor's objectivity? [ISA | 1131.2100]

The adequacy of safeguards is a matter of professional judgment. It is influenced by the significance of the work in the context of the audit and the size of the threat to us.

For example, a threat for internal auditors may be their personal relationship with others within the entity. The internal auditor may hesitate to report findings that might embarrass a colleague. As a safeguard that might reduce this threat, we may re-perform more of the work performed by the internal auditor in that specific area.

Are there circumstances where the significance of threats to objectivity of an internal auditor is such that no safeguards can reduce them to an acceptably low level? [ISA | 1131.2200]

The adequacy of safeguards is influenced by the significance of the work in the context of the audit. In some situations, self-review threats cannot be mitigated.

For example, we do not use internal auditors for direct assistance where the procedures relate to work that the internal auditors were involved in and that the IA function has or will report to management or those charged with governance (see question '[What work cannot be assigned to internal auditors providing direct assistance?](#)' for further information).

How does our evaluation of the internal auditors' competence and objectivity affect our intention to use them? [ISA | 1131.2300]

We do not use internal auditors when our evaluation of their competence and objectivity leads us to determine:

- there are significant threats to the objectivity of the internal auditor, or
- the internal auditor lacks sufficient competence to perform the work proposed.

9 Not Integrated Audit | Internal Audit | Determine the nature and extent of work assigned to internal auditors [ISA | 1143]

What do we do?

Determine the nature and extent of work that may be assigned to internal auditors providing direct assistance

Why do we do this?

When we intend to use internal auditors to provide direct assistance, they work under our direction and supervision. In determining the work we will ask them to perform, we consider:

- the level of judgment involved;
- our combined assessed risk (CAR) associated with that work; and
- our evaluation of [the objectivity and competence of those who will be providing assistance](#).

If we fail to properly consider these matters, we may ask them to perform procedures which are not appropriate.

Execute the Audit

What are 'nature and extent' of work? [ISA | 1143.1300]

When we determine the work we may assign to internal auditors providing direct assistance, we determine the nature and extent of that work. The table below explains and provides examples of these elements.

Element	Explanation/example of the element
Nature	<p>The type of work that we may assign to internal auditors providing direct assistance.</p> <p>For example:</p> <ul style="list-style-type: none"> • testing the operating effectiveness of controls; • performing substantive analytical procedures such as a ratio analysis or predictive analysis; and • performing tests of details (e.g. inspection, recalculation, reperformance).

Extent	<p>How extensively the work assigned to internal auditors providing direct assistance is performed or the quantity to be performed.</p> <p>For example, the number of sample items we test - i.e. how many we are testing - or 100%.</p>
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How do we determine the work that may be assigned to internal auditors providing direct assistance? [ISA 1143.1400]

In determining the nature and extent of work that we may assign to internal auditors, we consider the following factors:

Factors	How the factor influences our decisions?
The amount of judgment involved	The higher the level of judgment involved to plan and perform the audit procedures and evaluate the audit evidence, the less likely it is that we can use internal auditors to perform the work. In areas of higher judgement, we perform the work ourselves.
Assessed risk of material misstatement at the assertion level (i.e., CAR)	When CAR increases or the judgment involved in performing the relevant audit procedures or evaluating the audit evidence gathered is more than limited, we are less likely to use internal auditors to perform procedures.
Our evaluation of the existence and significance of threats to the internal auditors' objectivity, and the effectiveness of the safeguards applied to reduce or eliminate the threats (see activity ' Evaluate the internal auditor's competence and objectivity ' for further information)	<p>Even when we identify threats to an internal auditor's objectivity, we may conclude that safeguards in place could reduce the threats to an acceptable level.</p> <p><i>For example, we may have a team of three internal auditors providing direct assistance. A threat may be that one of the internal auditors has a personal relationship with someone within the entity in an area where we plan to use internal auditors to provide direct assistance. An appropriate safeguard may be to allocate that work to one of the other internal auditors.</i></p>

Our evaluation of the level of competence of the internal auditors providing direct assistance (see activity ' Evaluate the internal auditor's competence and objectivity ' for further information)	When our evaluation leads us to consider the internal auditor as less competent, we assign them tasks that are less complex or demanding (e.g. agreeing information to clearly defined source documentation rather than assigning them tasks that demand more competence).
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What are examples of work that may be assigned to internal auditors providing direct assistance? [ISA | 1143.6286]

The table below sets out examples of work that we may assign to internal auditors providing direct assistance.

Example work	Additional guidance
Obtaining an understanding of certain aspects of internal control over financial information (ICFR)	Internal auditors may help us: <ul style="list-style-type: none"> • understand CERAMIC • understand the flow of transactions, including how they are initiated, authorized, processed and recorded; • determine process risk points; • identify controls that management has implemented; • obtain an understanding of controls; and • test the operating effectiveness of controls
Performing tests of internal control	Internal auditors may provide direct assistance to test internal controls. The extent to which we may use the work of internal auditors in an audit of internal control depends on the risk associated with the control being tested. As the risk associated with a control increases, the need for us to perform our work on the control increases.
Testing the D&I of a GITC	Internal auditors may help us test the design and implementation of GITCs. For example, a GITC which requires an approved access request ticket to set up new user access to the IT system that is commensurate with the new user's job responsibilities.

	Internal auditors may help us test the control attributes that address the following RAFIT: 1.4 APD - Logical access to users and accounts (including shared or generic accounts) that can perform privileged tasks and functions within IT systems is inappropriate (i.e., unauthorized or not commensurate with job responsibilities).
Evaluating the reliability of information used in control activities and GITCs by the control owner to perform the control activity	Internal auditors may help us: <ul style="list-style-type: none"> • test the operating effectiveness of management's controls over the accuracy and completeness of internal information or • directly test the completeness and accuracy of the internal information.
Performing substantive procedures	Performing substantive procedures involving limited judgment, such as: <ul style="list-style-type: none"> • agreeing financial information to source documentation; • performing mathematical checks; and • observing of inventory counts.

What work cannot be assigned to internal auditors providing direct assistance? [ISA | 1143.1600]

We do not use internal auditors to provide direct assistance to perform work or procedures that:

- involve making significant judgments in the audit;
- relate to a higher assessed risk of material misstatement where more than limited judgment is involved to perform the work or evaluate the audit evidence gathered;
- relate to work that the internal auditor was involved in and that the internal auditor or internal audit (IA) function has or will report to management or those charged with governance;
- relate to decisions we make about the IA function and the use of its work or direct assistance.

We are also careful to limit the work assigned to internal auditors in other areas where it is inappropriate for them to provide direct assistance. This may include areas such as:

- Discussion of fraud risks
- Determination of unannounced or unpredictable audit procedures
- Sending external confirmation requests and evaluating the results of external confirmation procedures

What are the significant judgments in the audit? [ISA | 1143.10010]

Significant judgments include:

- identifying risks of material misstatements (RMMs) and assessing the inherent and control risks associated with the combined assessed risk (CAR);
- evaluating the sufficiency of tests performed;
- evaluating the materiality of misstatements;
- evaluating whether:
 - management's use of the going concern assumption is appropriate; and
 - there is substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time;
- evaluating significant accounting estimates;
- evaluating the adequacy of disclosures in the financial statements; and
- evaluating other matters affecting the auditor's report.

10 Not Integrated Audit | Internal Audit | Obtain written agreements [ISA | 1145]

What do we do?

Obtain written agreements from internal auditors and an authorized representative of the entity, prior to using internal auditors to provide direct assistance

Why do we do this?

We obtain agreements to support the internal auditors' objectivity. We obtain these agreements in writing to document the terms the internal auditors have confirmed.

Execute the Audit

What written agreements do we obtain when internal auditors are providing direct assistance? [ISA | 1145.1400]

Written agreements we obtain	Who do we obtain this agreement from?
Agreement that internal auditors will: <ul style="list-style-type: none"> • keep confidential specific matters as instructed by us, and • inform us of any threat to their objectivity 	The internal auditors
Agreement that: <ul style="list-style-type: none"> • the internal auditors will be allowed to follow our instructions, and • the entity will not intervene in the work the internal auditor performs for us 	An authorized representative of the entity

Who is an 'authorized representative' of the entity? [ISA | 1145.1500]

An 'authorized representative' includes those charged with governance, as well as members of management that have the appropriate level of the authority to both make agreements on behalf of the entity and enforce and monitor compliance with those agreements.

How do we obtain written agreements when we use internal auditors to provide direct assistance? [ISA | 1145.1600]

The table below shows the form of written agreements we obtain when we use internal auditors to provide direct assistance.

Type of confirmation	Form of written agreement
Agreement with internal auditors confirming that they will keep confidential matters and inform us of any threat to their objectivity	Separate letter countersigned by the internal auditors providing direct assistance
Authorized representative's agreement confirming that the internal auditors providing direct assistance may follow our instructions and that the entity will not intervene in their work for us	Audit engagement letter or a separate letter countersigned by the entity's authorized representative

11 Not Integrated Audit | Internal Audit | Review the work performed by the internal auditors

[ISA | 1149]

What do we do?

Review the work performed by internal auditors in accordance with ISA 220, including testing some of the work performed by checking it back to the underlying audit evidence AND determining whether it is appropriately prepared, signed and dated. Include the internal auditors' working papers in our audit documentation.

Why do we do this?

We review the work performed by the internal auditors providing direct assistance. This includes agreeing their work to the underlying evidence.

People in the internal audit (IA) function are not independent of the entity, so our review of their work is more specific and extensive than it is for our engagement team.

Execute the Audit

What do we consider and remain alert for when we review the internal auditors work? [ISA | 1149.1500]

We consider the outcome of the factors we used to determine the nature and extent of work assigned to the internal auditors providing direct assistance. Those factors are:

- [the level of judgment involved in planning and performing the work and evaluating the audit evidence gathered](#) ;
- the combined assessed risk (CAR) at the assertion level;
- [our evaluation of the existence and significance of threats to the internal auditor's objectivity and the effectiveness of the safeguards applied to reduce or eliminate the threats](#) ; and
- [our evaluation of the competence of the internal auditors who will be providing direct assistance](#) .

We also consider whether the evidence obtained is sufficient and appropriate in the circumstances, and supports the conclusions reached. For example, we consider whether:

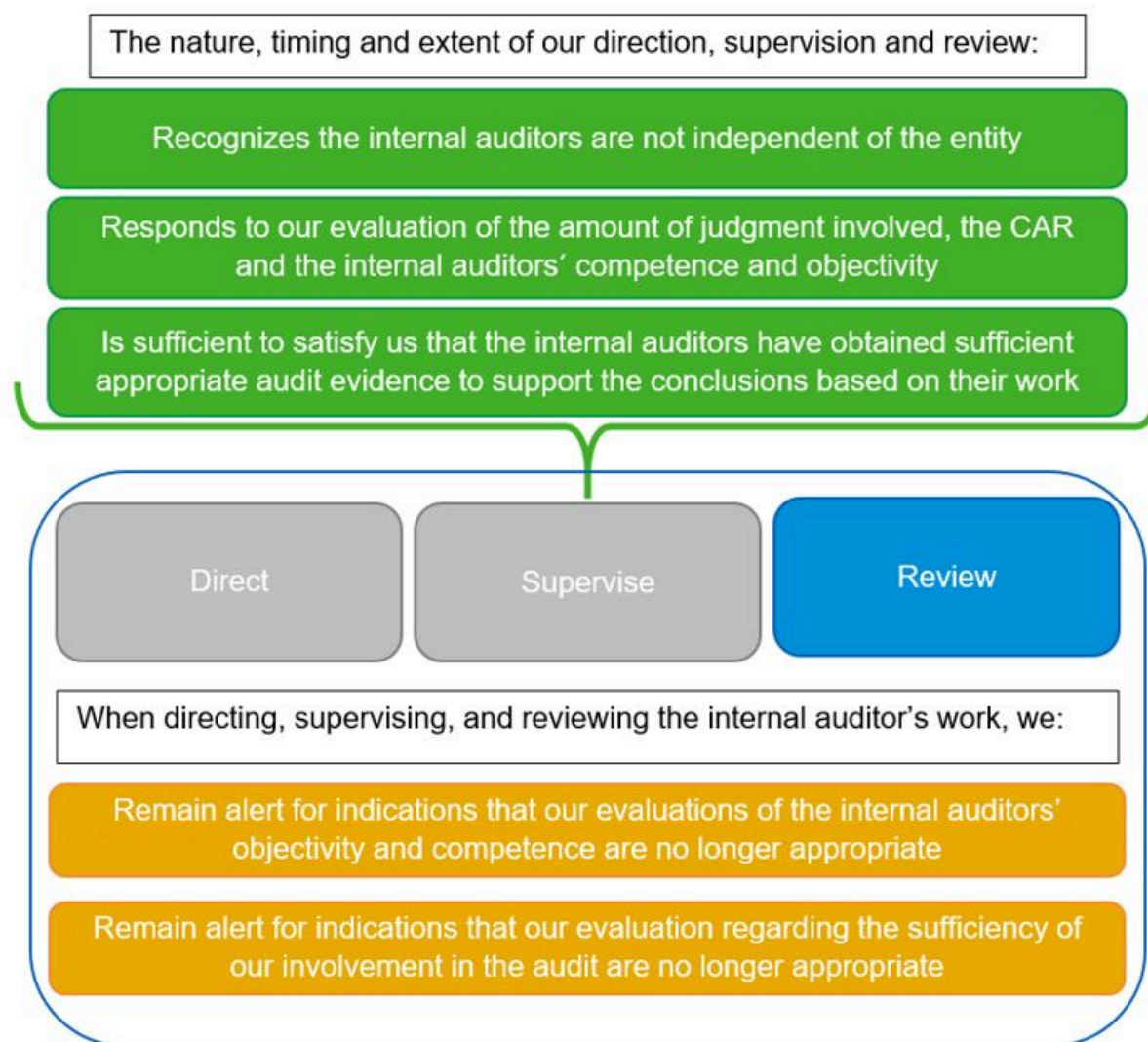
- the work was performed per KPMG, legal and regulatory requirements;
- all significant matters were raised for further consideration;
- we revise the nature, timing and extent of work performed; and
- the procedure's objectives were achieved.

We remain alert for signs that our evaluations are no longer appropriate regarding:

- the existence and significance of threats to the internal auditors' [objectivity](#) ;
- the level of internal auditors' [competence](#) ; and
- whether we're still [sufficiently involved in the audit](#) .

The diagram below outlines what we consider when we determine:

- the nature, timing and extent of our review of internal auditors' work providing direct assistance; and
- what we remain alert for when reviewing the work of internal auditors providing direct assistance



How may the nature, timing and extent of our review of internal auditors providing direct assistance be affected by our considerations? [ISA | 1149.10009]

The following table shows how considering the factors we considered to determine the nature and extent of work assigned to the internal auditors providing direct assistance may affect how we review their work - i.e., the nature, timing and extent.

Consideration	Impact on the nature, timing and extent of our review
The amount of judgment involved	<p>Where the work performed by internal audit involves a higher level of judgement:</p> <ul style="list-style-type: none"> we likely conduct a more detailed review and check back more of the work to underlying documents; and we likely conduct reviews more frequently during the audit, depending on the internal auditors' progress.

The CAR	<p>As our assessment of CAR increases:</p> <ul style="list-style-type: none"> • we likely conduct a more detailed review and check back more of the work to underlying documents; and • we likely conduct reviews more frequently during the audit, depending on the internal auditors' progress.
Internal auditors' objectivity	<p>People in the internal audit (IA) function are not independent of the entity, so our direction of the internal auditors providing direct assistance is more specific and extensive than it is for our engagement team.</p>
Internal auditors' competence	<p>When we assess the internal auditors' competence is lower:</p> <ul style="list-style-type: none"> • we likely conduct a more detailed review and check back more of the work to underlying documents; and • we likely conduct reviews more frequently during the audit, depending on the internal auditors' progress.

When reviewing the work of internal auditors what are the indicators that our evaluations of their objectivity and competence and the sufficiency of our involvement in the audit are no longer appropriate? [ISA | 1149.10007]

Our evaluations of the internal auditors' objectivity and competence are no longer appropriate when, for example:

- the internal auditors don't understand our instructions;
- the internal auditors are less competent than expected; or
- we note new threats to the internal auditors' objectivity.

Our evaluations of the sufficiency of our involvement in the audit are no longer appropriate when, for example:

- the risk involved is higher than originally expected;
- new RMMs are identified in areas allocated to internal auditors; and
- more judgment is involved than originally expected.

Based on these indications, we may reconsider whether we are sufficiently involved in the audit (see activity '[Evaluate whether we will still be sufficiently involved in the audit](#)' for further information).

What does checking back to underlying audit evidence mean? [ISA | 1149.10008]

'Checking back to underlying audit evidence' means that we agree the work performed by the internal auditors to source documentation - e.g. invoices, contracts, client prepared calculations.

How do we evidence our review of the work performed by internal auditors providing direct assistance? [ISA | 1149.1600]

We evidence our review of the work performed by internal auditors providing direct assistance by documenting:

- who reviewed the work; and
- the date, nature and extent of that review, including our testing of some of the work performed by the internal auditor.

12 Not Integrated Audit | Internal Audit | Evaluate our conclusions regarding the IA function [ISA | 1151]

What do we do?

Evaluate whether our conclusions regarding the internal audit function including the use of internal auditors to provide direct assistance and our determination of the nature and extent of the use of their work, remain appropriate.

Why do we do this?

During the audit, we might obtain information and facts that we didn't know when we decided on the nature and extent of our use of the IA function. Considering the new information and facts may lead us to revise our initial decisions. Without reconsidering this information, we may inappropriately use the IA function's work in our audit.

Execute the Audit

[When do we evaluate whether our conclusions regarding the IA function remain appropriate?](#) [ISA | 1151.1300]

We evaluate whether our conclusions about the IA function are still appropriate before we complete the audit.

[Which conclusions regarding the IA function do we evaluate?](#) [ISA | 1151.1400]

We evaluate whether the following conclusions are still appropriate:

- our conclusion on the IA function's competence and objectivity, and whether it applies a systematic and disciplined approach (see activity '[Evaluate the IA function, if we intend to use their work](#)' for further information); and
- our determination of the nature and extent of use of the IA function's work in the audit, including:
 - the relevant factors we considered when we determined the nature and extent of the IA function's work (see question '[What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use?](#)' for further information); and
 - our initial determination that we are sufficiently involved in the audit, considering the use of the IA function's work together with our use of internal auditors to provide direct assistance (see activity '[Evaluate whether we will still be sufficiently involved in the audit](#)' for further information).

[How do we evaluate whether our conclusions on the IA function's competence, objectivity and whether it applies a systematic and disciplined approach remain appropriate?](#) [ISA | 1151.1500]

We compare:

- the initial information and facts we had at the planning phase about the IA function's competence, objectivity, and systematic and disciplined approach; and
- information and facts we have before we complete the audit, considering the conclusions we have drawn from their reports and the procedures we performed on their work.

For example, suppose we initially concluded that the IA function is objective based on the function's organizational status and relevant policies and procedures. However, when we read their reports and perform procedures on their work, we observe bias in the entity's favor. We therefore re-evaluate our initial conclusion, don't use the IA function's work, and perform their work ourselves.

What do we do if we determine that our evaluations regarding the IA function are no longer appropriate?

[ISA | 1151.1600]

When we determine that our initial conclusions on the IA function's competence and objectivity and whether it applies a systematic and disciplined approach are no longer appropriate, we can no longer use the IA function's work. We instead perform the work we had planned the IA function to perform ourselves or design and perform alternative procedures

How do we evaluate whether the relevant factors we considered when determining the nature and extent of the IA function's work remain appropriate? [ISA | 1151.1700]

We consider whether the relevant factors originally considered have changed during the audit (see question ['What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use?'](#) for further information). Changes in these factors may cause us to reconsider the nature and/or extent of IA function's work we can use in our audit.

For example, during an audit, suppose we reassessed the combined assessed risk (CAR) for an assertion of an account because a control we planned to rely on was deficient. If we used the IA function's work to get audit evidence for this assertion, we reconsider how this change in CAR influences our decision about the nature and extent of the IA function's work. We may decide to:

- revise our initial plan by removing their involvement, ignoring their work and performing the procedures by ourselves; or
- design more audit procedures over their work.

How do we evaluate whether our initial determination that we are sufficiently involved in the audit remains appropriate? [ISA | 1151.1800]

When we evaluate the sufficiency of our involvement in the audit, we consider the internal auditor's involvement in aggregate - i.e. the extent we used internal auditors to provide direct assistance together with the extent we used the IA function's work obtaining audit evidence.

We do not necessarily perform a quantitative analysis to evaluate the IA function's work - e.g. percentage of hours spent by the IA personal in respect of the work being used by us relative to total engagement hours. Rather, we evaluate our audit plan to make sure that we will:

- be able to meet all the relevant requirements included in our audit manual; and

- make the significant judgements during the audit (refer to questions '[What 'relevant factors' do we consider when determining the nature and extent of the IA function's work we plan to use?](#)' and '[What work cannot be assigned to internal auditors providing direct assistance?](#)' for further information about significant judgements)

What can we do if we conclude that we are not sufficiently involved in the audit when using the work of the IA function and/or the internal auditors to provide direct assistance? [ISA | 1151.1900]

The table below sets out examples of how we may change our plans when we conclude that we are not sufficiently involved in the audit.

Planned use of the IA function's work	Planned use of internal auditors to provide direct assistance
We increase the extent of planned procedures that we will perform directly.	We reduce the extent of direct assistance we are planning, especially in those areas that involve some judgement.
We plan to re-perform more of their work.	

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