



## Using the Work of Internal Auditors

### August 2010

**COMMENTS MUST BE RECEIVED BY  
OCTOBER 6, 2010**

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This Exposure Draft of proposed assurance standards is issued by the Auditing and Assurance Standards Board. The Board is composed of persons drawn from public accounting and legislative auditing and includes those who represent other groups, such as industry, commerce and finance, and post-secondary education, from all parts of the country. All members serve as individuals and not as representatives of their employers or organizations.

Individuals and organizations are invited to comment on the Exposure Draft material. Comments are requested from those who agree with the Exposure Draft as well as from those who do not.

Comments are most helpful if they are related to a specific paragraph or group of paragraphs, and, when expressing disagreement with the Exposure Draft, they clearly explain the problem, and include a suggestion for alternative wording supported by specific reasoning. All comments received will

be available on the web site at [www.aasb.ca](http://www.aasb.ca) 10 days after the comment deadline, unless confidentiality is requested. The request for confidentiality must be stated explicitly within the response.

**To be considered, comments must be received by  
October 6, 2010, addressed to:**

**Greg Shields, CA  
Director, Auditing and Assurance Standards  
The Canadian Institute of Chartered Accountants  
277 Wellington Street West  
Toronto, Ontario M5V 3H2**

A PDF [response form](#) has been posted with this document to assist you in submitting your comments. Alternatively, you may send comments by e-mail (in Word format), to: [ed.assurancestds@cica.ca](mailto:ed.assurancestds@cica.ca)

## Introduction

The Auditing and Assurance Standards Board (AASB) proposes, subject to comments received following exposure, to adopt with appropriate amendments, if any:

- (a) proposed International Standard on Auditing (ISA) 610 (Revised), “Using the Work of Internal Auditors;” and
- (b) related proposed changes to certain paragraphs in ISA 315 (Revised), “Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment,” that deal with the external auditor’s consideration of the internal audit function

issued by the International Auditing and Assurance Standards Board (IAASB). The result would be Canadian Auditing Standard (CAS) 610 (Revised) that would replace extant CAS 610 and CAS 315 (Revised) that would replace extant CAS 315.

This Exposure Draft consists of:

- (a) a link to the IAASB Exposure Draft, including its Explanatory Memorandum;
- (b) a description of the AASB’s process for adopting revised ISAs;
- (c) a proposed effective date; and
- (d) a discussion of significant proposed Canadian amendments.

Please review “**Comments requested on this Exposure Draft**” on page ii for information on preparing your response to this Exposure Draft.

## IAASB Exposure Draft

The IAASB [Exposure Draft](#) is available on the IAASB website.

In addition to the text of proposed ISA 315 (Revised) and ISA 610 (Revised), the Exposure Draft includes an Explanatory Memorandum, which provides background to, and an explanation for, the proposed revisions to extant ISA 315 and ISA 610. An analysis of the impacts anticipated by the IAASB to arise as a result of its proposed revisions is also presented.

## Process for adopting revised ISAs

The AASB adopts the ISAs as CASs. Key aspects of the AASB’s adoption process include the following:

- An AASB exposure draft of a proposed CAS is issued shortly after an IAASB exposure draft of a proposed ISA.
- The deadline for responding to a CAS exposure draft provides the time needed for the AASB to consider the responses of Canadian stakeholders in developing its response to an IAASB exposure draft.
- The AASB uses the criteria set out in the Appendix to decide whether amendments should be made to an ISA for use in Canada.
- The AASB uses the same effective date for its standards as the IAASB.
- The AASB makes CASs available shortly after they are approved, so Canadian auditors can become familiar with them and prepare to implement them by the effective date.

## **Proposed effective date**

The effective date for CAS 610 (Revised) and CAS 315 (Revised) would be for audits of financial statements for periods ending on or after December 15, 2013. Auditors will be permitted to apply these revised CASs before the effective date.

## **Significant proposed Canadian amendments**

The AASB proposes no Canadian amendments to proposed ISA 610 (Revised) and to the related proposed changes to certain paragraphs in ISA 315 (Revised).

## **Comments requested on this Exposure Draft**

The AASB would appreciate receiving stakeholder input on the following:

### **1. The proposed ISAs**

Stakeholders are asked to provide comments on the IAASB Exposure Draft directly to the IAASB, and provide the AASB with a copy of the response. The AASB will take these comments into account in drafting its own response to the IAASB Exposure Draft. Respondents are asked not to include comments on matters particular to the Canadian environment in their responses to the IAASB. Such comments should be included only in responses sent to the AASB.

Stakeholders should refer to the “Guide for Respondents” contained in the IAASB Exposure Draft, and respond to the specific questions asked therein.

### **2. Matters that the AASB should consider in finalizing the CAS corresponding to the proposed ISA**

Stakeholders are asked to provide comments directly to the AASB on whether the proposed revised CASs should include any amendment to the proposed revised ISAs.

If you believe an amendment is needed, please describe its nature and extent. Any amendment that you propose would need to meet the criteria set out in the Appendix.

The deadline for providing your comments to the AASB on the above is October 6, 2010.

Comments are most helpful if they are related to a specific paragraph or group of paragraphs, and when expressing disagreement with the Exposure Draft, they clearly explain the problem, and include a suggestion for alternative wording supported by specific reasoning. When a respondent agrees with proposals in the Exposure Draft, it will be helpful for the AASB to be made aware of this view.

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### Criteria for amending ISAs when adopting them as Canadian Auditing Standards

With respect to the adoption of ISAs, the AASB's overriding goal is to adopt ISAs into the Assurance Handbook as generally accepted auditing standards for audits of financial statements without amendments. However, there may be circumstances where amendments are required. The following sets out the limited circumstances when the AASB makes amendments to ISAs:

1. The AASB limits additions to an ISA to those required to comply with Canadian legal and regulatory requirements.<sup>1</sup>
2. The AASB limits deletions from, or other amendments to, an ISA to the following:
  - (a) The elimination of options (alternatives) provided for in the ISA.
  - (b) Requirements or guidance, the application of which Canadian law or regulation<sup>1</sup> does not permit, or which require amendments to be consistent with law or regulation.
  - (c) Requirements or guidance, where the ISA recognizes that different practices may apply in different jurisdictions and Canada is such a jurisdiction.
3. The AASB may make amendments to an ISA with respect to requirements or guidance that do not fall within 1 or 2 above when it believes that there are circumstances particular to the Canadian environment where such amendments are required to serve the Canadian public interest and maintain the quality of auditing and reporting in Canada.
4. To the extent possible, amendments that are:
  - (a) additions to an ISA will not be inconsistent with the current requirements or guidance in the ISA; and
  - (b) deletions from, or other amendments to, an ISA will be replaced by an appropriate alternative that achieves the objective of the deleted requirement.

Proposed amendments to an ISA are highlighted in exposure drafts of proposed Canadian standards. The AASB indicates the reasoning for the amendments and respondents are invited to comment on them, including when the amendment will not result in convergence with the ISA in accordance with the IAASB's guide for national standard setters. Amendments to ISAs are separately identified in the final Assurance Handbook material.

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<sup>1</sup> Canadian incorporating and other governing legislation often requires entities to prepare financial statements in accordance with Canadian GAAP. Accordingly, if Canadian GAAP necessitates a different audit response in Canada, these differences fall within the definition of a legal or regulatory requirement.